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Proposals for the extension

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PROPOSALS FOR THE EXTENSION OF  
AGRICULTURAL BANKING IN THE  
DELTA OF BURMA

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BY

LAWRENCE DAWSON, Esq.

WITH A CRITICISM

BY

HAROLD CLAYTON, Esq.

AND A REPLY THERETO







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AGRICULTURAL BANKING IN THE  
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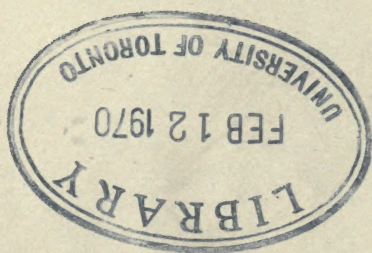
BY  
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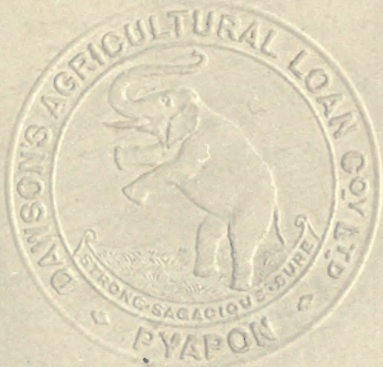
## PREFACE.

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The management of Dawson's Agricultural Loan Coy., Ltd., have decided to publish for the information of their depositors and shareholders a copy of Mr. Clayton's note on Mr. Lawrence Dawson's proposals for extending banking facilities in the delta of Burma and a copy of the Company's reply thereto together with the correspondence.

The article which contained the proposals has been previously circulated but in order to facilitate reference and to make the brochure complete it has also been included.

Sd. ALBERT ADAM,  
*Secretary.*








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## I. PROPOSALS.

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*Letter from Lawrence Dawson, Esq., to the Hon'ble Sir  
Harcourt Butler, Lieutenant Governor of Burma.*

*Camp Maubin, 18th July, 1917.*

Sir,

People who read your speeches and feel their inspiration do not require to excuse themselves when putting forward proposals which may appear to be original or bold, if they are also practical.

The enclosed article contains proposals that have to do with agricultural banking and in claiming originality for them, the author may perhaps be wrong (if he is wrong, it is due to ignorance; for, he has not heard of anything similar having been proposed) but he believes that they are very practical and in any case they constitute a sincere attempt to contribute towards the solution of the problem of agricultural indebtedness in Burma: so that, even if they fail to achieve the results aimed at, he is left with the sense of satisfaction that comes to him who tries.

Your most obedient servant,

Sd. LAWRENCE DAWSON,

*Managing Director,*

*Dawson's Agricultural Loan Coy., Ltd.*

To

THE HON'BLE SIR HARCOURT BUTLER,

K. C. S. I., C. I. E., I. C. S.,

*Lieutenant Governor of Burma.*





(NOTE.—The proposals were forwarded with the above letter. They subsequently appeared in the form of a magazine article in the *Agricultural Journal of India*. It has been found convenient to print them here in the dress in which they subsequently appeared.)

[Reprinted from the *Agricultural Journal of India*,  
Vol. XIII, Part I.]

## AGRICULTURAL BANKING IN THE DELTA OF BURMA.

BY

LAWRENCE DAWSON,  
*Barrister-at-law.*

### I. INTRODUCTION.

It will naturally occur to the readers of this Journal to ask what practical experience of agricultural banking a barrister-at-law has acquired to enable him to air his views on the subject. It is therefore necessary to say at the outset that the writer is the Managing Director of a small Bank which was incorporated in 1914. It is the first joint-stock bank opened in the mofussil of Burma for the purpose of financing the agriculturist, and is thus a pioneer enterprise in the field of agricultural banking.

The capital of the bank is small, *viz.*, Rs. 4 lakhs, and this is divided into 2,000 Ordinary and 2,000 Preference shares. Of this capital three-fourths has been paid up. The business was carried on by the writer on a proprietary basis before it was incorporated, and the capital was raised privately from depositors, who held deposits before incorporation, and who were guaranteed a minimum cumulative dividend of 8 per cent. with the right to share in any surplus profits to the extent of 25 per cent. The Company did not go to the public for its shares, because, as it happened, it could raise a sufficiency of capital from within. It may, however, be mentioned that, if the formation of the Company had depended upon public subscription, it is probable that it would not have been floated. The conditions of agricultural finance are not well understood, and the public has little confidence in mofussil enterprises of this description, and is biased in its judgment by the views of professional bankers in cities, who are conservative in their

ideas and have deep-rooted prejudices against the class of security that obtains in the mofussil. It was necessary to find an enthusiastic circle of friends, who, convinced of the possibilities, were willing to risk their money; and in this respect the vendor was fortunate. But even so, the flotation was successful, only because the shareholders were protected by preference rights and had a high rate of dividend, with the right of participating in further profits, guaranteed. In the event of a winding up, therefore, the loss, if any, would fall entirely on the vendor; for he was paid in ordinary shares and not in cash, and more than one-half of the *par* value of these shares had already been sunk by him in the working capital of the business.

One-third of the shares is held by people resident in Scotland, the remainder by Scotsmen resident in Burma.

The bank was incorporated in October 1914 after the outbreak of war, and the present (1917) is the third year of its incorporation. Notwithstanding the war, the bank has justified the expectations of its shareholders, and has attained the position of a successful pioneer, but its sphere of usefulness is capable of being greatly enlarged, and its capacity for development is so considerable, that the fact that even greater development has not taken place must be put down to the causes already referred to in connection with the difficulty of raising capital.

## II. CONDITIONS UNDER WHICH THE AGRICULTURAL INDUSTRY IS AT PRESENT FINANCED IN BURMA.

Agriculture is Burma's chief industry, but the difficulties under which the Burman cultivator labours as regards the supply of requisite capital hamper the improvement of this industry. It is true that attempts are being made to deal with this situation, but they are inadequate, and the methods followed not quite suitable. Let us examine the existing position in some detail, and then formulate proposals for improving the arrangements for financing the industry and the nature of Government assistance required to carry them out.

Rice is the chief crop of Burma, but from my experience, which is confined to Lower Burma and particularly to the delta, where the bulk of the crop is raised, I am of opinion that the production and disposal of the crop is hampered by the conditions under which it is financed by the Chetty, a money-lender from Southern India, who has no particular aptitude for agricultural banking. He is essentially a money-lender who is concerned with the realizable value of his pledge and with that only. He has done much for Burma, because he filled a place and supplied a want when there was no one



either ready or willing to do it. But his limitations are both numerous and obvious. These are indicated below:—

- (1) He is not interested in agriculture itself, and questions of the improvement of the soil or of improved husbandry do not appeal to him. He makes no attempt to contribute to their solution, and he will not finance such schemes.
- (2) He does not particularly concern himself with the purpose for which a loan is raised, nor sees to it that the loan is applied to that purpose.
- (3) He is not contented with legitimate business, and touts for loans and encourages the taking of them for unproductive purposes if the security is ample.
- (4) He does not care about repayment in small instalments, and does not press for them, as he should, if he were merely a banker.
- (5) He is not a sympathetic banker, and demands payment regardless of the plight of the agriculturist or his ability to pay, and generally makes the conditions of payment more difficult, when in the circumstances they ought to be made more easy.
- (6) He is unbusiness-like, and encourages rather than discourages unbusiness-like methods.
- (7) The temptation to over-reach the customer in technical matters proves almost too great to be resisted by him.
- (8) He is relieved every three years by a new agent, and the system involves something like a triennial winding up of the firm's local business. There is in consequence no guarantee of continuance in the financial relations between customer and banker, which are often seriously dislocated by the caprice of the agent's successor.
- (9) His business is an unregistered partnership.
- (10) His rates of interest are very high.

The large bulk of the Burma crop is still financed by the Chetty, and the agriculturist has maintained himself in spite, rather than because, of him. He is, as an agricultural banker, therefore, a failure and he is out of date.

The Burman agriculturist wants (*a*) a banker more sympathetic with his needs and aspirations, (*b*) a banker who can give him cheaper and better credit consistent with good security; and for these qualities he must look elsewhere than towards Southern India.

The rise in the market values of land in Burma in the last decade has been followed by a general improvement of the condition of agriculturists, and they have paid the Chetty

rates of interest varying between 24 and 36 per cent. per annum; but these high rates have prevented them from making payments towards principal and building up a financial reserve; so that bad harvests or low prices may, at any time, cause a serious set-back in their economic position.

In this connection it may be mentioned that Mr. Maxwell Lawrie, M. V. O., Commissioner of the Irrawaddy Division, retired, pointed out to the present writer that he was understating the case about rates of interest by not doubling these figures, but we are referring to the Chetty who is not nearly so heavy in his charges as is the village money-lender whose rates often run as high as 60 per cent.

Owing to the scarcity of capital and to dear credit, the agriculturist in Burma cannot afford—

- (1) to develop or improve land, or bring new land extensively under cultivation;
- (2) to build barns within which to winnow, thresh, and store his crop, so as to avoid damage from unseasonable showers;
- (3) to purchase improved implements or agricultural machinery;
- (4) to experiment with other than the cheapest manures;
- (5) to raise good stock;
- (6) to insure his cattle or indeed anything;
- (7) to grade his grain; and
- (8) to hold his stocks up when the market is exceptionally low.

There are exceptions, but the above, I think, fairly represent the prevailing condition of the agriculturist. He is hampered at every turn by the want of capital and by high rates of interest.

### III. MEASURES ADOPTED BY GOVERNMENT FOR AFFORDING FINANCIAL ASSISTANCE TO THE BURMESE FARMER.

We may now consider the attempts made to deal with this situation and the methods followed.

Government has so far employed two methods for affording financial assistance to the Burmese farmer, one direct and the other indirect.

The direct methods consist of legislative measures, and these are the Agricultural Loans Act and the Land Improvement Loans Act; and the indirect methods are the propagation and the fostering of the growth of Co-operative Credit Societies and of a Central Co-operative Bank.

*(a) Direct Methods.*

The amount lent by Government in the year 1915-16, under the Agricultural Loans Act, was Rs. 13 lakhs for the whole province, but under the Land Improvement Loans Act the amount is negligible.

*The Agricultural Loans Act No. XII of 1884.* This Act was generously conceived. It provided for the relief of agricultural distress, and it is clear, both from the Act and the rules framed under it, that it was not intended that its scope should be limited to cases of distress, which are the result of natural causes like flood, drought cattle-disease, etc. It recognized that there might be genuine and unavoidable cases of distress arising from other than natural causes or theft of cattle, and it recognized no distinction between the holder of 30 acres and the holder of a smaller area.

Much distress might easily arise from the crop being marketed at an exceptionally low price, and distress often arises from the failure of others to fulfil their obligations, pecuniary or otherwise or both. The "Instructions" under the Act do not recognize such cases, and the relief that the Act affords is confined to very narrow specified limits. The Act is only a partial success for the following reasons:—

- (1) only a proportion, probably small, of those who really need agricultural advances apply for them or get them:
- (2) and the converse proposition is also true, *viz.*, those who get the advances are not necessarily those who most deserve them.

It is worthy of remark that the low rate of interest charged by Government as compared with current market rates is, in this respect, not altogether an advantage. It makes the advances seem like prizes in a lottery, and produces the same effects on the fortunate few as the winning of prizes. Further, these advances may go in some cases to the wrong class of persons.

In my view, the making of agricultural advances, except in the case of widespread distress, is a branch of activity that is not suited to administration by Government, and it is perhaps because Government recognizes the fact that the relief it affords is cut down to such narrow limits. Considered as a measure of financial aid, this Act, with its Rs. 25 lakhs outstanding for the whole province, strikes me as very inadequate. The Chetties alone have given about Rs. 50 lakhs in loans to agriculturists in the single district of Pyapon, and the "distress" that they relieve is perhaps not less acute.



*The Land Improvement Loans Act.* This Act is also very wide in principle, but the Rules framed under it, as well as the Instructions, render the aid it offers illusory.

Rule 13 insists that the applicant's resources to carry out the improvement without a loan should be fully taxed; so that, if his land is free, he should encumber it, or even sell a portion, to provide himself with the necessary funds, and the same rule lays down that no loan should be granted unless there is good and adequate security.

The applicant can, therefore, easily be impaled upon the horns of a dilemma, and he may be met in this way. If his land happens to be unencumbered, he may be told he has resources and therefore cannot get a loan; if not, he may be told that he has not sufficient security to offer and no loan can, therefore, be granted.

### (b) *Indirect Methods.*

Government is more happy in its indirect methods, and its co-operative credit propaganda is attended with the best results. The propagation of co-operative credit societies, and the fostering of their growth and influence, have produced far-reaching effects. It is a substantial contribution to the solution of the problem of agricultural indebtedness, but it is apt to be forgotten that it is only a contribution, and notwithstanding the success that has attended co-operation in recent years, it is a mistake to expect too much from it, or to assume that in course of time, with the growth and progress of the movement, every agriculturist will respond to its *vade mecum*.

We all know that co-operative credit is the best form of credit, because it has an ethical as well as a commercial side. It requires on the part of co-operators certain qualities such as mutual trust, the habit of making punctual repayments, resisting the temptation to spend the loan in unproductive ways, the necessity of standing well with one's fellows: in short, a continual improvement in one's character. Hence it is that co-operation finds its limitations in human nature.

It is easy to be converted to its principles. It is difficult to act up to them. For a hundred that have "faith" there are few who can prove their faith by "works," and the few are not always sufficient to leaven the lump.

In theory, co-operation should appeal to all, rich and poor. In practice, it appeals more to the needy, because they are under the strongest necessity. It certain districts in Upper Burma co-operation has thriven and is now a flourishing plant. In the delta its seed has fallen on stony ground.

Co-operative credit societies can do much, but they cannot do everything, and they are not best suited to solve problems

of agricultural indebtedness in the delta, and Government should not rest satisfied with this single form of activity, or take the view that in the dim and distant future agriculture will find its complete salvation in co-operation. The needs of the agriculturist are pressing and insistent, and if other methods are available and offer equal, if not greater, prospects of immediate or ultimate success, it appears to me that measures should be taken to investigate them. If, as the result of such detailed enquiry, these other methods appear to promise success, they should be adopted, and, in respect of them, Government should adopt a propaganda, not less energetic or enthusiastic than that adopted in the case of co-operate credit societies.

I need not add that any such investigation would be welcomed by this bank, and that this bank would put wholeheartedly at the disposal of Government all its resources and would give all the assistance that lies in its power.

#### IV. PROPOSALS FOR THE BETTER FINANCING OF AGRICULTURAL INDUSTRY IN BURMA.

Let us now proceed to a consideration of proposals for improving the arrangements for financing the agricultural industry in Burma, and the nature of Government assistance required to carry them out. Here we at once find that the most urgent necessity is the establishment of banks in the mofussil. The type of bank required is a mortgage bank that will give the agriculturist long credit. It is due to ignorance of this important point that the press and others advocate the extension into the mofussil (by the opening up of branches) of the type of commercial bank that does business in large cities. Banks specialize as do trades and other professions, and the commercial type of bank in a purely agricultural district would be completely out of its element and would be of less use than is the Chetty.

Short credit is the basis of the business of a commercial bank, whereas the basis of the business of an agricultural bank, in the present state of agriculture in Burma, must be long credit.

The writer would, therefore, recommend the type of a joint-stock agricultural mortgage bank as best suited to the needs of the districts. The following conditions should be observed in the case of such a bank:—

- (1) It should of necessity be incorporated under the Indian Companies' Act so as to secure the advantage of trading with limited liability, while having, at the same time, all the safeguards of meetings, accounts, and audit.

- (2) The management should be in very close touch with the people, and for this purpose it is necessary that it should know the language and understand the people and have some local influence.
- (3) It should confine its operations to an area over which it can effectively exercise control.
- (4) It should co-operate with co-operative credit societies, and work in sympathy with them and with the Co-operative Central Bank.
- (5) It should have an organization and a system ready to hand and easily workable, and it should be possible to demonstrate that the system is reasonably sound.
- (6) It should take the fullest advantage of the work of the agricultural department and use its influence to improve husbandry and allocate funds for experimental purposes.
- (7) While not making credit too facile, it should aim at the cheapening of credit and should attempt to bring down rates of interest to the level that members pay to their co-operative societies.

An incorporated mortgage bank, that owes its existence to private enterprise and complies with the above requisites, is an institution that, I think, deserves positive encouragement and support. It can not only do much towards relieving agricultural indebtedness and helping forward the best interests of the province, but it can also reach that large and not un-influential class which either refuses to open its doors to co-operation or through some defect of character or idiosyncrasy of temperament fails to adapt itself to co-operative methods. It will supplement the work of the co-operative movement, and it is, therefore, entitled to similar consideration and support.

#### *Government Assistance and Control.*

We may now indicate the nature of Government assistance required to carry out these proposals and the nature of Government control.

Owing to the difficulties of raising capital, the best way to promote the establishment of such banks as have been indicated is for Government to provide a proportion of the capital, say, 50 per cent. of what is considered advisable or necessary, and for Government to be content with a guaranteed 5 per cent. dividend, and to hold all the preference rights, and to exercise its control by holding either a Government audit or such other audit as it may prescribe.



Such a scheme would not commit Government far. A bank on these lines could be opened in some district head-quarters as an experiment, and if the results are satisfactory, steps can be taken to start them in other districts. I do not think that Government should be represented on the board of such a bank, and it would obviously be undesirable for many reasons: there will really be no necessity, as the safeguards would seem to be ample.

I am confident that such a bank would require, small capital and that it would be quite easy to get all the funds it required from the public. It should not ordinarily be assisted by loans from Government, unless, in the particular district in which it operates, Government should decide to allow it to administer all agricultural loans and do away with the official administration of them.

Loans made by Government for such a purpose should be fully secured and should be repaid promptly once a year. If loans should be required from Government for any other purpose, a strong case should be made out, and, if granted, should be secured by debentures, so as to afford Government absolute security.

Under this scheme each district bank will be an independent unit and will stand on its own merits. A proportion, say, one-fourth, of the capital should be locally subscribed, and, as an illustration, this bank would be willing to subscribe, in addition to a few founders' shares, a proportion equal to the locally subscribed capital, and would undertake to raise locally the proportion of the needful capital.

It may, however, be stated that this bank owes nothing to Government assistance and has asked for none. It has attained its present development not without difficulty and not without encountering some prejudice; but it has received a substantial measure of support from the public, and it is satisfied that its achievement will continue to merit that support; and while the bank has discovered a field of enterprise that offers good investment, it is also helping to develop the agricultural resources of the province.

(NOTE.—*The Local Government took action on these proposals and the correspondence that follows explains itself.*)

*Letter from H. Clayton, Esq., Registrar of Co-operative Credit Societies to A. T. Dawson, Esq.*

D. O. No. 4254|1S-12.

*Maymyo, 8th September, 1917.*

In your brother's note on Agricultural Banking in the Delta of Burma which he forwarded to the Local Government he suggested that methods adopted by your Company should be examined. I have now been desired by Government to visit Pyapon in the near future for this purpose. I have been also asked to consider and discuss with you the practicability of extending the scope of your Bank so as to provide banking facilities to non-agriculturists of the kind supplied by a small country bank in England. \* \* \* I propose to arrive in Pyapon on the 23rd instant and to stay there for the 24th and 25th. I hope that it will be convenient for you to meet me there on those days and if you are prevented from coming I have no doubt that you will ask the Manager to explain the working of the bank fully.

Sd. H. CLAYTON.

A. T. Dawson, Esq.,  
Barrister-at-law,  
Maubin.

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*Letter from A. T. Dawson, Esq., to H. Clayton, Esq., Registrar of Co-operative Credit Societies.*

*Maubin, 28th November, 1917.*

It is now two months since we had the pleasure of your visit to our head office at Pyapon in connection with my brother's article on Agricultural Finance in Burma, and I have been looking forward to your note on the subject, but no note has yet reached me.

You will remember that I asked you to let us have a copy of your report and you promised that, if the Local Government had no objections, you would.

I fully realize that as Registrar of Co-operative Societies you cannot help showing a preference for co-oper-

ative as opposed to joint stock efforts, and whatever your personal view may be, you are a professional co-operator, charged with the nursing of Co-operative Societies. It is with much interest therefore that we look forward to your report, which we hope will soon reach us.

Sd. A. T. DAWSON.

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*Letter from H. Clayton, Esq., to A. T. Dawson, Esq.,  
Director of Dawson's Agricultural Loan Coy., Ltd.*

D. O. No. 8718|1S-12.

Office of the  
Registrar, Co-operative Societies,  
Burma,

*Maymyo, the 4th December, 1917.*

By the same mail which brought your letter of the 28th November I received an intimation that the Financial Commissioner does not think it advisable that my note on your brother's proposals should, at present, be communicated to you.

I am informed that the general proposals will be dealt with in due course by the Local Government who may possibly permit the correspondence to be published.

Sd. H. CLAYTON.

A. T. Dawson, Esq.,

*Dawson's Agricultural Loan Coy., Ltd.,*

*Ma-ubin.*

---

*Letter from Lawrence Dawson, Esq., to the Hon'ble Sir  
Reginald Craddock, Lieutenant Governor of Burma.*

*8th May, 1918.*

To

THE HON'BLE SIR REGINALD HENRY CRADDOCK,

K. C. S. I., I. C. S.,

*Lieutenant-Governor of Burma,*

*Maymyo.*

Dear Sir,

On the 18th July, 1917, I submitted to your predecessor an article on "Agricultural Banking in the Delta of



Burma" (since published in the Agricultural Journal of India—a reprint of the article as published is herein enclosed for reference) which contained proposals for the formation and extension into the districts of the type of a Joint-Stock Agricultural Bank. It was considered from the experience that had been gained that this type of Bank was likely to be successful in the delta and would supply in some measure the great need that exists for banking facilities.

I was informed that Government would consider the subject but I had unfortunately to leave the country on the 21st August on medical leave and when Government decided to depute some one to visit Pyapon I had left the country.

The officer selected by Government for the purpose of examining and reporting upon the enterprise of the agricultural bank of which I am the Managing Director was Mr. Clayton, the Registrar of Co-operative Credit Societies. Had I been in Burma I would have asked Government to depute some other officer, one not departmentally responsible for the well being of Co-operative Credit Societies and preferably one not associated with the development of the co-operative movement in Burma. The Registrar of Co-operative Credit Societies had not only these disadvantages but by reason of his paramount influence as Registrar he occupies virtually (though not de jure) the position of a Director in the Upper Burma Central Bank and correspondence enclosed herein (in which joint action was suggested by this Company with a view to lowering the advertized rates of interest to depositors at the time that Government was inviting the public to subscribe to the War Loan) will show that that institution's managing body have, on the only occasion it was addressed by this Company, dealt with it cavalierly. In the article referred to at the beginning of this letter I had criticised co-operative effort in Lower Burma and referred to the limitations (which are not generally recognized) to which co-operation is subject and had stated somewhat emphatically that co-operation in the delta had failed and

that co-operation alone could not solve the financial problems that beset the delta. These views are not accepted by the head of the co-operative movement, who, because of his great devotion to the cause is apt to be hyper sensitive of criticism of this nature. In the matter of deposits, certainly, and in the general nature of its enterprise also, this Company can be treated (though I contend it should not be) as a rival and competitor of the Upper Burma Central Bank and it would have been my duty, had I been in Burma at the time, to move Government to send some other, equally competent officer, who could judge impartially of the relative merits of joint stock as distinguished from co-operative methods.

I alone, as author of them, am responsible for the views and proposals put forward in that article and it would have been obviously better, if the Registrar had deferred his visit until I could have been present in person to explain them. This would have obviated the difficulties experienced by him and my staff while discussing certain details of that article.

The terms of the reference that Government made to the Registrar were not directly communicated to this Company. The registrar however on the 8th September gave the information that he was to examine our methods and that he was to consider and discuss the practicability of extending the scope of this bank so as to provide banking facilities to non-agriculturists as well as to agriculturists of the kind supplied by a small county bank in England.

The Registrar came to Pyapon on 25th and stayed here on the 26th and 27th. He was given every facility by the Staff for a full examination of our methods and at his request statements were drawn up (copies are herein enclosed) from which could be ascertained:

- (1) the average area of holdings mortgaged to this Company:
- (2) the percentage of average annual repayments for 3 years:
- (3) the average period of fixed deposits:

- (4) the average rate of interest charged to cultivators:
- (5) the number of suits filed by the Company since its incorporation:
- (6) the procedure followed before loans are granted:
- (7) number of staff and branches

and in addition he was supplied with various forms which this Company uses and had found suitable for the transaction of its business.

I understand that he framed a report on the result of his inspection but I have been denied a copy of this report. (I enclose herein the correspondence).

If it is an adverse report, it is only ordinary justice that I be furnished with a copy of it—a right not denied to the meanest Government official. If it is not adverse, I cannot understand what objection there can be to my seeing it. I am led to understand from Mr. Clayton's letter that the Financial Commissioner withholds the report.

I may state that I did not consult the share-holders of this Company when I threw open for inspection details of business that are ordinarily kept secret and in fairness to them as well as to myself I request that you be kind enough to order that a full copy of the Registrar's report be furnished to me and that if it be adverse, I ask further that no resolution be based upon it until I have had an opportunity of answering any prejudicial criticisms that may therein appear.

I have the honour to be,

Sir,

Your most obedient servant,

Sd. LAWRENCE DAWSON,

*Managing Director,*

*Dawson's Agricultural Loan Coy., Ltd.*



*Letter from Mr. The Hon'ble W. J. Keith, C. I. E.,  
Revenue Secretary to Lawrence Dawson, Esq.*

Agricultural Department No. 484|6A-1.

REVENUE SECRETARIAT,

RANGOON,

*The 29th July, 1918.*

As desired in your letter of the 8th May, 1918, to His Honour the Lieutenant-Governor, I am desired to forward for your information copy of Mr. Clayton's Note on your proposals for the development of Agricultural Banking in the Irrawaddy Division.

Yours sincerely,

W. J. KEITH.

L. Dawson, Esq.,

*Managing Director,*

*Dawson's Agricultural Loan Coy., Ltd.,*

*Pyapon.*



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## II. CRITICISM.

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(NOTE.—Mr. Clayton visited Pyapon and as a result of his inspection compiled the following note.)

*Note on Mr. Dawson's proposals for the development of Agricultural Banking in the Irrawaddy Division.*

I visited Pyapon, in accordance with the instructions contained in demi-official letter No. 289—7C.-33, dated the 9th August, from the Assistant Secretary to the Financial Commissioner, to my address, on the 26th and 27th September, 1917.

Mr. L. Dawson, permanent Director of the Dawson's Agricultural Loan Company, Limited, was unfortunately away in England, but Mr. A. T. Dawson, the other Director, who kindly came down from Ma-ubin for the purpose, and Mr. Adam, the General Manager, were present and gave me much useful information as to the working of the Company.

The absence of Mr. L. Dawson was regrettable as the scheme for the development of agricultural banking in the division adumbrated in his note submitted to Government was drawn up by him personally, and it does not appear that either Mr. A. T. Dawson or Mr. Adam is fully conversant with his intentions and desires.

Mr. L. Dawson's scheme is substantially as follows:—

An incorporated mortgage bank to be started in each district of the Irrawaddy Division.

The required capital to be found, as to one-half by Government, the Government shares to be preference shares with a guaranteed dividend of 5 per cent. per annum or whatever the current rate charged for agricultural advance under the Agriculturists' Loans Act may be. This is not explicitly so stated in Mr. L. Dawson's note, but I gathered from my conversation with Messrs. A. T. Dawson and Adam that the intention is that the preference dividend should equal that rate. The balance of the capital would be found as to one-half by the Dawson's Agricultural Loan Company, Limited, and as to the remaining half would be raised locally by the said Company, from residents of the district.

It is not proposed that Government should be represented on the Board of the Bank, and the result will be that the Dawson's Agricultural Loan Company will have control. Mr. L. Dawson is permanent Director of the said Company. It follows that Mr. L. Dawson will become the *de facto* controller of all the banks to be formed under his scheme.

It is not immediately apparent how the share subscriptions to be provided by the Dawson's Agricultural Loan Company will be found. Mr. Dawson estimates that a business of 50 lakhs per district will be open to the new banks. This is, I

think, an under-estimate but even taking this figure the proportion of share capital and reserves to deposits should be at least 10 per cent. Each bank should therefore possess ultimately 5 lakhs of share capital and reserves. Supposing the share capital to be put at 3 lakhs of which Government would take  $1\frac{1}{2}$  lakhs in preference shares, there would be a balance, of  $1\frac{1}{2}$  lakhs to be found in equal proportions by the Company and by the public.

In the present company the shares taken by the general public are preference shares, bearing 8 per cent. interest. When the dividend on the ordinary shares has reached 12 per cent, the surplus is divisible as to 25 per cent. to the preference share-holders and as to 75 per cent. to the ordinary share-holders. In the new proposed banks the preference shares, reduced to 5 per cent. will be owned by Government and the general public will have to be content with ordinary shares. The adhesion of Government to the scheme will therefore not in any way improve the position of the ordinary share-holders but may rather adversely affect them. Accordingly the company appears to me to be even, less likely to secure share-holders for the new bank under the proposed scheme than it has been in procuring them for itself. In the last balance sheet for the year ended 31st October, 1916, 1,447 preference shares only out of 2,000 had been issued, and no ordinary shares except the 1,500 issued as fully paid to the vendor. I understand, however, from Messrs. A. T. Dawson and Adam that frequent applications have been received for the balance of the preference shares and that no allotment has been made merely because of the drain which the high rate of preference dividend makes on the profits of the Company.

Nothing is said about the division of a surplus over 5 per cent. between the Government preference shares and ordinary shares in the new banks. I gather that all profits over 5 per cent. are to go to the ordinary share-holders. This will of course be an advantage to such share-holders, and it is possible that I have overestimated the difficulty of finding the required share capital.

2. The balance sheet of the Dawson Agricultural Loan Company, Limited, for the year ended 31st October, 1916, is attached together with a copy of the speech of Mr. L. Dawson at the 2nd Annual General Meeting of the Bank.

In Mr. Dawson's speech he dwells on the fact that he has invested his reserves in gold and states that he desires to continue this process until one-third of his investments are made in gold. In other words Mr. Dawson's object is that as to one-third of its business, the Dawson's Agricultural Loan Company, Limited, should become a pawn-working establishment.



This step appears to be a retrograde one from the point of view of the financial development of the Delta, inasmuch as more money is locked up in the gold held as security than is made available by the company in the loans issued on the security. No other course, however, appears to have been possible as the balance sheet for 1915-16 discloses no fluid resource investments whatever. There is Rs. 16,000 on current account with certain banks and Rs. 26,000 in hand in cash. The latter sum is either a piece of window-dressing or, more probably, purely fortuitous as it is not likely that so large a sum is regularly kept unused. The high rate of dividend 8 per cent. payable on the shares has thus made it impossible to provide fluid resource in the normal manner of ordinary banks. It should be added that during the current year the company has purchased Rs. 50,000 of war loan and is still making further small purchases, so that its position has greatly improved in respect of fluid resource. This investment was, I am assured, however, made purely from patriotic motives and not with any intention to provide fluid resource.

The new proposed banks being intended to be carried on in accordance with Mr. Dawson's present methods it must be understood that lending on the security of gold will form a prominent feature in the working of each of them.

Another noticeable feature of the 1916 balance sheet is the appearance of Rs. 70,000 on account of good will. This represents the payment made to Mr. L. Dawson as vendor. At the company's incorporation this sum apparently stood at Rs. 82,300 or more than half the value of the shares issued to Mr. L. Dawson as fully paid. It might be thought that the new banks at any rate would escape this incubus but this is not the intention, and as will be seen from the last paragraph but one of Mr. L. Dawson's notes it is intended that "*a few founders' shares*" shall be given to the company. This is good will under another and possibly even more objectionable form.

3. Money is lent by the company either on mortgage of land or on pledge of gold, careful enquiries are made as to the valuation of land, and the procedure adopted to this end is described in the Manager's note attached. The company devoted considerable attention to seeing that the advances made are not larger than the circumstances warrant, and special care is taken to require the payment of all loans taken for annual expenses of cultivation at harvest. The mortgage deed drawn up is so worded as to cover further advances also in most cases and such further advances are secured by simple pro-notes in addition. Almost all of them therefore have the mortgage of land as collateral security and the Rs. 70,000 of

unsecured loans in the 1916 balance sheet are for the most part of this nature. In addition to the repayment of all loans for cultivation purposes some repayment each year on the main loan is required. Failing this the facilities granted to the borrower are restricted in future years. The amount that can legitimately be demanded as repayment is estimated each year, one servant of the company being employed entirely on the inspection of crops and the general way in which the borrowers are conducting their business.

The loans on the pledge of gold are likewise made to agriculturists in the great majority of cases and usually for periods of six or ten months. The loans are mostly for incidental expenses taken during the cultivating season and ordinarily fall due at harvest.

They are thus not available as fluid resource during the cultivating season but the Manager explains that in the event of difficulties arising the gold would be re-pledged to third parties and money raised on it, the gold being subsequently redeemed as the original pledger repaid his loan to the company.

4. Full details as to the proportion of repayments to total loans made were not available for the branches at my visit. The figures prepared for me by the Manager for the head office show the proportion for that office to be—

1914-15	..	..	..	29.78
1915-16	..	..	..	28.96
1916-17	..	..	..	25.75
(ten months only).				

The repayments are therefore good and amounted in—

			Rs.	A.	P.
1914-15 to	..	..	1,51,449	11	11
1915-16 to	..	..	1,77,509	9	2
1916-17 to	..	..	2,04,720	3	5
(ten months only).					

Of the total of Rs. 5,91,000 at present lent out from the company's head office, only Rs. 70,000 appears to have been outstanding from years prior to 1914-15.

I asked for a statement of fixed deposits repayable in the next few years. This was not immediately available but the following statement shows the length of existing deposits irrespective of the date of their maturity:—

			Rs.
for six months	..	..	26,800
for one year	..	..	1,50,791
for two years	..	..	48,206
for three years	..	..	1,59,359
over three years	..	..	13,070

On this showing the amount repayable each year would be about Rs. 2,58,000. This is in excess, though not greatly in excess of the average repayments and should new deposits cease to flow in and repayments be reduced for any cause the Company might find itself in temporary difficulties. At such a crisis the Company's holding of Indian War Loan would be of considerable utility, and it could also avail itself of the gold and jewelry which it has in pledge. The Company's position is undoubtedly satisfactory but I am bound to say that both the Manager and Mr. A. T. Dawson appeared to me to be imperfectly alive to the importance of the maintenance of adequate fluid resource.

5. Accurate data as to the size of the holdings possessed by the clients of the Company was not forthcoming, the Company having no record as to the total area owned by each client but only of the area actually mortgaged to the Company.

This is as follows:—

Holdings.	Under Acres.	Acres.
16	50	484
14	100	1,039
4	150	494
4	200	668
3	250	663
6	300	1,568
2	400	771
1	500	455
1	600	558
1	650	649
1	1,200	1,187
—		—
53		8,536

The Manager's own opinion is that over one half of his clients own less than 100 acres in all. Six civil suits only have been filed by the Company, since its incorporation, against its clients and in three cases the suit was unimportant,

Considerable expansion in the Company's operations has taken place since its incorporation and it is too early to gauge whether this freedom from litigation will last, proceedings being naturally only undertaken after the client has got considerably into arrears, and other means of reminding him of his obligations have failed. The value of the land in the possession of the Company in its own name at the last balance sheet was Rs. 36,000. Of this amount Rs. 25,000 refers to a single estate taken over from a widow of a client. It has a



rental of 4,615 baskets of paddy and the Company has received an offer of more than the amount at which the estate stands in its books. The Directorate appear to be fully aware of the danger of looking up their resources in land and it is obvious that at this stage of the Company's existence the looking up of any considerable portion of its resources in land is most undesirable.

6. The Company lends up to 75 per cent. of the estimated value of gold and jewelry pledged to it, and more in the case of loans for six months.

In the case of land and buildings the Manager states that 50 per cent. of the estimated value may be regarded as "a good average." Loans are however clearly made up to a greater proportion of the value than this, the estate alluded to in the last paragraph having been taken over for Rs. 26,000, according to Mr. L. Dawson's statement at the last Annual General Meeting, though it was valued at Rs. 37,000. This is 70 per cent. of the estimated value, but arrears of interest may be included in the amount. At the same meeting Mr. Dawson stated that Rs. 27,500 had been offered for the estate by a third party. The Company has approximately six and a half lakhs out in loans of which about one lakh is on pledge of gold. About five lakhs is lent on the mortgage of land or on the collateral security of such mortgage. The actual area mortgaged to the Company is, as shewn in the last paragraph, 8,536 acres. The amount advanced is thus approximately Rs. 58 per acre which cannot be considered as excessive, though probably more than 50 per cent. of the price realizable in a free sale.

The average interest charged on all loans is about sixteen and a half per cent. per annum. Figures supplied to me for a total sum of five and a half lakhs show that though the rates may fall as low as 10 per cent. and in a few cases rise as high as 30 per cent. two and a half lakhs are lent out at 15 per cent. and two lakhs at 18 per cent. These are therefore the prevailing rates, the lower one being given to the Bank's best and most reliable customers. These rates fall lower than the normal rates paid to chetty firms and indicate that Mr. L. Dawson's desire to reduce the rates demanded by his Company to those paid by co-operators to their credit societies has to a large extent been realized.

I have been asked to discuss with the management whether the Company could extend its scope so as to provide banking facilities to non-agriculturists as well as agriculturists. The company already lends in a few cases to non-agriculturists and is prepared to do so whenever security in the shape of gold or immovable property is forthcoming. It is not, I under-

stand, prepared to embark on any extensive lending on personal security. As a matter of fact its funds are fully employed in the business at present undertaken and the applications to it for assistance are very much greater than the funds available. Under these circumstances no great expansion of its work among non-agriculturists is to be expected.

7. The staff of the Company in addition to the permanent Director consists of the General Manager, an office Superintendent and Valuation Officer combined, an Accountant and an Assistant Accountant and an Inspector. The Manager is engaged on an eight years' agreement and is remunerated with twelve and a half per cent. of the net profits, subject to a guaranteed minimum of Rs. 225 per mensem and a maximum which increases in accordance with the duration of his tenure.

The permanent Director, Mr. L. Dawson, holds that post by virtue of an article in the Articles of Association so long as he holds a certain number of shares in the Company. He is allowed six months' leave every year with medical leave in addition when necessary, and also received twelve and a half per cent. of the annual profits. In his case, however, no minimum is laid down and he draws his commission whether he be present in Burma or absent on leave.

8. The Dawson's Agricultural Loan Company, Limited, has thus achieved a considerable measure of success. It has certain weak points which I have indicated, namely, its lack of fluid resource, the high rate of dividend guaranteed on its preference shares and the appearance in its balance sheet of so large a sum as Rs. 70,000 on account of good will to which may be added the special position both as to powers and as to remuneration which Mr. L. Dawson occupies in connection with it. Its working capital is however small and it has hardly touched the fringe of the problem of agricultural finance even in the district of Pyapon. Setting on one side its gold-pledging business which, however necessary or useful it may be under existing circumstances, is hardly germane to the work of a mortgage bank, the Company has on its books 53 clients; of these I am told that 18 have reduced their former debts and about a dozen have enlarged their holdings.

All this is very satisfactory but it does not take one very far. I have not had an opportunity of discussing their relations with the Company with any of the Company's customers, but I see no reason to suppose that these relations have been anything but agreeable and advantageous to the latter. There are, however, indications that the Company is not above driving a hard bargain when occasion serves and since my visit to its offices I have been reliably informed that its

branches have made purchases of Indian War Bonds from local sellers at a discount of 25 per cent. These bonds are quoted practically at par on the Calcutta Exchange and, as the Company admittedly does not require such an investment except for patriotic reasons, one would have expected it to have sold the bonds on commission for the benefit of the holders rather than to have purchased them for itself at so unwarranted a rate of discount. That the Company had made some local purchases of Indian War Bonds was mentioned to me by the Manager at my visit in connection with my enquiry as to whether the Company had issued any loans on this class of security, but the price not being mentioned I naturally inferred that the bonds were taken over at the current market rate. Mr. L. Dawson has had long experience of the district especially of the neighbourhood of Pyapon. The number of applicants for the services of his Company have been many times more than those accepted as clients. He has thus been able to take his pick, and he has no doubt chosen his borrowers with great discretion.

The Company's risk may be expected, therefore, to increase as its business expands.

His methods have been sound but there is nothing either very novel or very revolutionary about them. His careful enquiries before granting loans, his insistence on the regular repayment of cultivation expenses, and of regular instalments towards the balance of the principal, his regular checking of tax tickets for land mortgaged to the Society, his lowering of interest rates to good and reliable clients are all excellent, but they are not new discoveries and no bank financing agriculture in Burma which did not adopt them could hope to succeed.

The Company has in fact so far prospered mainly because of the local knowledge possessed by its management. Mr. L. Dawson sold his local knowledge to the Company at a good price and it was no doubt worth the while of the Company to buy it at that price. But it does not seem to me that either he or his Company has anything to sell to a mortgage bank to be started in areas outside the sphere of his local knowledge which would at all justify his being given the special terms he asks for in his note.

The Company is a purely one-man show. The only other Director is his brother, the General Manager is his brother-in-law. He himself is irremovable and unless he has sold the shares allotted to him he has complete control of its actions. This may, of course, have its advantages. It also has its disadvantages. The Company shows no sign of developing into a real district mortgage bank. No local leading men are on its directorate and it is admitted in Mr. L. Dawson's note



that no Burmans from the district have taken shares. The result is that in Pyapon it is a foreign institution, as foreign as are the firms of chetties that are also operating there. As such it must necessarily, in my opinion, fail to rise to the fulness of its opportunity.

If there is one thing more certain than another in my opinion, it is that, if agriculture in Burma is to be properly financed on modern lines, the financing must be done for the most part with Burman money. There is no other source from which an adequate supply of funds can be obtained. This is true of the co-operative movement and it is equally true of the Joint Stock Bank.

Foreign institutions may be useful. The chetties have been useful, and the Dawson's Agricultural Loan Company, Limited, is useful, but no institution will really solve the problem until it appeals directly to the Burman investor and attracts to it a regular flow of Burman savings. What is wanted is an institution that will do for the district and the agriculturist what the Nyaunglebin Urban Co-operative Credit Society has done for Nyaunglebin and its traders and such an institution can never, in my opinion, be developed on Mr. Dawson's lines.

9. As to the advantages of the establishment of Joint Stock Agricultural Mortgage Banks in the more important districts of the Province, I think that there can be no doubt that their establishment would be most advantageous. I accept Mr. Dawson's nine requisites, though I doubt whether it is the business of such a Bank to allocate funds for the conduct of agricultural experiments. Such experiments can best be left to the Agricultural Department or persons experienced in agriculture.

I would add that the share capital should be as far as possible subscribed within the district in which the bank is situated and that influential local agriculturists should have a seat on the directorate. Considerable sums have been subscribed to the Indian War Loan in several districts. An attempt might be made to secure some of this money at the maturity of the loan for investment in these shares. Arrangements might also be made to enable a portion of the District Cess Fund balances to be invested in the bank as a long term deposit at a low rate of interest, say 5 per cent.

It would be advantageous, as Mr. L. Dawson points out, that at the outset there should be a European element in the management and the audit should be done by a recognised firm of chartered accountants, but it would probably be desir-

able in addition that some person skilled in banking matters should be engaged by Government to make periodical visits, to the banks and advise them on matters of general policy. He would also be available for consultation in the case of any difficulty arising. The acceptance of this advice might be made a condition of the investment of Local Fund balances in the bank.

I do not think that any antagonism between such banks and the co-operative movement need arise. It is true that the latter movement could usefully dispose of all the money that is likely to be locally subscribed in the near future. There will be however, once the practice of saving and depositing has taken root, enough money for all, and whether it be a Joint Stock Bank or a Co-operative Central Bank which makes the most effective appeal to local feeling is a matter of comparative unimportance. The great thing is that in one way or another the people should be taught to believe in their district bank and to bring their money to it for investment. When a successful mortgage bank has been organised, it will be much more easy to organise co-operation among those who find themselves left out of its sphere of operations. When a successful Co-operative Central Bank has been formed, it will be easier to get those who are disinclined to adopt co-operative methods to create a mortgage bank for themselves. In any district I would start with the kind of bank which seemed most likely to attract the people's money.

11. It will be seen that I support Mr. L. Dawson's thesis in favour of Joint Stock Mortgage Banks, but I am unable to accept his claim on behalf of himself and his Company to a position of special influence in any such that may be formed in the Irrawaddy Division, nor should I be disposed to recommend the investment of Provincial or Local Funds in the Company as at present constituted. It is possible that I may have exaggerated the extent of Mr. Dawson's claim, and for this reason I regret that I was unable to see him in person.

I recognize the special circumstances under which the Pyapon Company came into existence, but in any case I think that when such banks are founded elsewhere they should be free from all such checks and hindrances to development as founders' shares, preference shares at high interest or good will. While making all necessary provision by way of fluid resource they should, I think, restrict their business in connection with the pledge of gold as far as possible and do everything to encourage the turning of spare gold and jewelry into cash. Local Burmans of position should be invited to take a place at the Directors' Board and everything possible should be

done to make the bank a real local institution, supported by local money, managed as far as possible by local men and devoted to the furtherance of the agriculture and industries of the local area in which it is situated.

H. CLAYTON, REGISTRAR,

*Co-operative Societies, Rangoon.*

*Dated 29th September, 1917.*

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### III. REPLY.

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*Letter from the Secretary, Dawson's Agricultural Loan  
Coy., Ltd., to Mr. The Hon'ble W. J. Keith, C.I.E.,  
Revenue Secretary, Government of Burma.*

*Pyapon, 10th October, 1918.*

Dear Sir,

I have the honour to forward herein for submission to His Honour, the Lieutenant Governor, the Company's reply to Mr. Clayton's note on Mr. Lawrence Dawson's banking proposals and regret that it has not been possible to make it shorter. You were good enough to say that His Honour would be glad to hear what Mr. Dawson had to say on Mr. Clayton's note and it has been thought advisable to make the reply as full as possible.

2. I have to ask whether you have any objections to letting the Company know among whom Mr. Clayton's note was circulated and further to be favoured in due course with the result of His Honour's findings.

I have the honour to be,

Sir,

Your most obedient servant,

Sd. ALBERT ADAM,

*Secretary.*

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*The Company's Reply to Mr. Clayton's note.*

The note of Mr. Clayton on Mr. Lawrence Dawson's proposals for the development of agricultural banking in the delta was received at the company's registered office from the Revenue Secretary on the 30th July, 1918. Mr. Adam, the Manager was on leave from the 15th May to 9th October and Mr. A. T. Dawson, the other Director resides at Maubin. Some delay has been caused by the necessity of making references to the abovenamed gentlemen and of convening a meeting of shareholders to discuss Mr. Clayton's note and also to consider the nature of the reply to be sent to it. The meeting was held on the 9th October. It was

thereat unanimously resolved that the draft submitted to it by the Managing Director be adopted with such modifications as were outlined by the members and the result is the brochure now submitted to His Honour the Lieutenant Governor through the medium of the Revenue Secretary.

2. Nearly a year has passed since Mr. Clayton's visit. The development and history of the company in the interval are of unusual interest in the light of Mr. Clayton's remarks as they show that his general conclusions in certain important matters have been precipitate. The development that has taken place has been natural and normal and is not attributable to extraneous influences; for, the benefit of Mr. Clayton's criticism was withheld from the company, during this period. (September 26th, 1917 to 30th July, 1918).

On other matters (perhaps equally important) the subsequent history of the Company does not shed any new light, but there appear to be grounds for supposing that in these matters Mr. Clayton's conclusions have proceeded from an imperfect understanding of facts and circumstances. It will be convenient in this reply to observe a certain order and the topics of Mr. Clayton's adverse criticism (much of it is not adverse) will be dealt with in the order of importance apparently assigned to them in his note.

### 3. FLUID RESOURCE.

Conspicuous reference is made to this subject and in para 8 of his note Mr. Clayton puts the lack of fluid resource of the company at the very head and front of its offending.

This subject falls under three heads:—

- (1). *Investments in Gilt Edged Securities.*
- (2). *Investments in Gold.*
- (3). *Cash in Hand and in Banks.*
- (1). *Investments in Gilt Edged Securities.*

At the time of Mr. Clayton's visit, the company had invested Rs. 50,000 in the First Indian War Loan. This sum was subscribed on the 24th March, 1917. As fluid resource it is discounted, somewhat curiously, (see para 2 the middle) because patriotism contributed to the subscription. However, Mr. Clayton appears to abandon his analysis of motives as later on (see end of para 4) he plainly admits that this sum is available as fluid resource.

The following further subscriptions to the Second Indian War Loan have been made:—

On the 8th June, 1918 ..	Rs. 50,000.
On the 26th June, 1918 ..	„ 20,000.
On the 29th June, 1918 ..	„ 30,000.

These subscriptions were made at the earliest possible moment in both cases of the First and Second Indian War Loans

In addition, the company has taken over nearly one lac in War Loan Bonds and thus holds an aggregate approximately of Rs. 2,50,000 in government securities.

(2). *Loans on Gold Securities.*

Mr. Clayton supposes (see para 2) that as to 1/3rd of its business it is the fixed policy of the company to develop a pawn working establishment. In this, he is mistaken. He proceeds to say, however, that if the company meant to obtain fluid resource, no other course (than that of developing the business of loans on gold) appears to have been possible in 1916. With this statement the company is in full agreement.

The speech of the Managing Director which he quotes from, shows that the importance of holding fluid resource is clearly realized and when the Managing Director aspires to hold as much as 1/3rd of the company's investments in gold, he is only emphasizing that these resources should be ample. It was not that the company wished to develop a pledge working business but that there appeared to be at that time no other way of obtaining fluid resource which would strengthen and not weaken the company. It is easy to talk of the necessity of fluid resource but Mr. Clayton has perhaps hardly appreciated the difficulty in this country before the days of the War Loan of finding suitable investments for surplus funds which could be realized without loss at any moment.

It is necessary also to bear in mind the following facts. The company was incorporated after the outbreak of war. It was not known how the war was going to affect the agricultural industry of Burma. The enemy nations were no longer in the rice market and the difficulty of obtaining freight had added to the general anxieties that were felt as to the marketing of the crop. There had been a great financial crisis in England and the company had witnessed the "dègringolade" of the best fortified securities, both at home and abroad. It had slender reserves and was anxious to build them up on a broad basis.

In the August preceding the date of delivery of the Managing Director's speech, the Upper Burma Central Co-operative Bank of Mandalay had paid no dividends and its entire profits for the year plus a considerable portion of its reserves were swallowed up in order to meet the depreciation on its gilt edged securities, which had reached the large figure of Rs. 53,500 and its reserves were reduced to Rs. 57,000 with the prospect of a continued drain in the future. It seemed therefore true, though novel and revolutionary that the acquisition of 'fluid resource' might prove to be a source of weakness instead of strength.



The Upper Burma Central Co-operative Bank has weathered the storm and has recouped its reserves. It has been able to do this by charging its societies a war commission on loans of 1%, specially earmarked for contribution to reserves. This company has not a circle of friendly societies to which it can turn for assistance in its financial arrangements and stability. Nor has it the influence of government backing to support it in time of need. If therefore a similar situation had developed in the company's history there can be no doubt that the consequences would have been much more serious. Indeed, a shock such as this, might well have crushed the infant life of the company.

In pursuing the course they did the directors paid due attention to the circumstances in which the company was placed and while avoiding risks which the company could not afford to take, strengthened its position by acquiring a fluid resource which was not likely to depreciate and their action has in consequence received from its members due appreciation.

In 1917 however, with the First Indian War Loan, came short term government loans and provisions to arrest depreciation and since then the company although it still accepts has ceased to press for gold securities and has suffered them to be reduced until they stand (September 30th, 1918) at Rs. 1,09,000, a figure below that of October 1916 notwithstanding the fact that the company's general business in loans has expanded from Rs. 5,50,853 in October 1916 to Rs. 9,58,403 in September 1918.

Mr. Clayton regards lending on the security of gold as retrograde. In abstract theory he may be right but it is submitted that if money is not lent on gold the borrowing power of the Burmese agriculturist would be reduced and so long as the Burman insists on putting a fair proportion of his savings into gold, (thus making a gold investment part of his political economy), an agricultural bank doing business with him cannot neglect this asset and must adapt itself to the conditions.

The appreciation of the value of the precious metals during the war has unfortunately confirmed the Burman in his belief as to the value of holding this asset.

It is claimed and it can be fully demonstrated that in war time the precious metals have a distinct advantage over other securities in borrowing power and that the gold loans of the company are therefore liquid assets in the best sense of the term.

For the purpose of his argument, Mr. Clayton, (see para 2) ignores the value as fluid resource of loans on gold and apparently because the gold loans are not separately stated or specified in the balance sheet he makes the statement that the

balance sheet does not disclose any fluid resource whatever. The amount secured on gold is however disclosed in the speech of the Managing Director referred to above and was before Mr. Clayton and the figure is the substantial one of Rs. 1,20,204. In view of the fact that at the end of para 3, Mr. Clayton admits (though the admission is made somewhat reluctantly) the value of gold loans as fluid resource, the company has fault to find with Mr. Clayton for his presentment of this aspect of its case and considers that his method is likely to mislead and that it falls short of that standard of care and impartiality it had the right to expect in an officer of his standing.

(3). *Cash in Hand and in Banks.*

Mr. Clayton's statement (see para 2) that an examination of the balance sheet discloses no fluid resources whatever is not even literally correct. The balance sheet October 1916 as a fact discloses cash sums of Rs. 45,435-10-4 of which Rs. 16,000 is in banks on Current account and Rs. 26,000 in hand.

But to promote his thesis he goes on to say: "The latter sum (Rs. 26,000 cash in hand) is either a piece of window dressing or more probably fortuitous as it is not likely that so large a sum is regularly kept unused."

Mr. Clayton apparently attaches no importance to the fact that the balance sheet is signed by the company's two directors, its General Manager and a firm of Chartered Accountants in a large way of business in Burma and whose care in audit, displays, since the Bank of Burma failure, exemplary vigilance. Mr. Clayton had before him as has been stated the Managing Director's speech of December 1916 in which occurs this passage: "We still hold heavy cash balances viz. Rs. 45,435 which though less than last year is still, for our needs, preponderant." The cash in hand and in banks in the preceding year i.e. October 1915 was Rs. 67,996 of which Rs. 35,300 was cash in hand.

The foreshadowing of smaller cash balances that occurs in the passage quoted above was due to the large increase that had taken place in the company's gold securities. Nevertheless, in the balance sheet of the following year, October 1917, a month after Mr. Clayton's visit, (and after the company had recently increased its liquid assets by the investment of Rs. 50,000 in the First Indian War Loan,) the figure stood at Rs. 42,378 of which sum, Rs. 25,000 was cash in hand. At the time of Mr. Clayton's visit 26th—27th September 1917, the cash item alone was Rs. 21048-13-2 and this Mr. Clayton could have ascertained for himself if he had wished to check the cash.

In the Appendix I hereto are figures taken from the cash book at the monthly trial balances, showing, from the period October, 1916 to April 1918, the date of the last audit, the figures for cash in hand and in banks on Current Account. From these figures it will be seen that the average for both items works out to Rs. 44,000 and that the *average for the cash item alone works out to Rs. 32,000*. It was thus indeed fortuitous that the cash in hand in October 1916 was Rs. 26,000, but not in the sense in which Mr. Clayton used that expression.

The Company's officers threw its doors and its books open to Mr. Clayton and if Mr. Clayton had any doubts as to the genuineness of any items in the balance sheet, the company is of opinion that he should have expressed them at the time of his visit. Had he done so, his doubts could and would have been resolved.

But perhaps Mr. Clayton did not wish to apprise the Company of his doubts. He did not send it a copy of his report. If he had chosen on his own motion to send it a copy of his report, no one, it is apprehended, would have offered any serious objection. The company did not expect to have to ask for it; certainly not to have its request refused and to be forced to appeal to the highest authority in the land. The surprise felt by the company at the attitude adopted was, it is believed, shared by the members of the Industrial Commission, who learnt incidentally that no copy of the report had been sent to those whom it chiefly concerned.

Mr. Clayton has taken an item in the balance sheet about which shareholders and depositors are entitled to expect not merely "bona fides" from their Manager and Directors but "uberrima fides" and has cast doubt and suspicion upon it and rests his remark on surmise when he himself had the opportunity of testing its truth. The reasons for Mr. Clayton's conduct are not easy to undersand.

In the opinion of the company, Mr. Clayton's remark has defaced his note and is lacking in the requisites of due care and attention and in order that he may neutralize the harm he may have already caused or is likely to cause to the good name and prospects of the company, the company requests that he be invited to withdraw his remark and apologise for it and that it be expunged.

The company considers that this much, at least, is due to it.

#### *Summary.*

In the matter of fluid resource the history of the company therefore proves that its position is not assailable and is a remarkable commentary on Mr. Clayton's disparaging remarks. As explained in para 3 (1) above, the company has



increased its fluid resource to correspond with the increase of its liabilities. The proportional increase is high and the details may be found in Appendix II hereto, where also the position of the Upper Burma Central Co-operative Bank's position in this respect is compared.

4. Mr. Clayton (see para 8) referring to the company's relations with agriculturists who do business with it remarks "I see no reason for supposing that these relations have been anything but agreeable and advantageous to the latter" but adds that there are indications that the company is not above driving a hard bargain when occasion serves and cites as an example certain purchases of War Bonds at a discount of 25%.

As this matter has nothing whatever to do with the company's relations to its customers who are not involved and is irrelevant to the discussion of the proposals he was to examine this matter is relegated to an appendix where it is fully dealt with. (See Appendix III).

In passing, however, it may be remarked that had the object and policy of the company been to acquire war bonds at a discount, it would not have subscribed as it did Rs. 50,000 on the opening of the 1917 loan and Rs. 1,00,000 on the opening of the 1918 loan.

#### 5. GOODWILL.

Mr. Clayton makes the following statement. (See para 2 of his note) "Another noticeable feature of the 1916 balance sheet is the appearance of Rs. 70,000 on account of goodwill. This represents the payment made to Mr. L. Dawson as Vendor. At the company's incorporation this sum apparently stood at Rs. 82,300 or more than half the value of the shares issued to Mr. Dawson as fully paid."

A glance at the Vendor's agreement which was open to Mr. Clayton's inspection would have shown that Mr. L. Dawson was allotted fully paid shares to the value of Rs. 1,50,000 and was paid a sum in cash of only Rs. 4,620 being the value of a motor launch, a cargo boat and office furniture and fittings.

It follows therefore that he sold his business to the company not for cash but for Rs. 1,50,000 of fully paid shares. As against this, the company had the capital of Mr. Dawson which was engaged in the business Rs. 78,361-4-6 less Rs. 4,620 referred to above or Rs. 73741-4-6. The difference between this sum and Rs. 1,50,000 is Rs. 76,258 and is the figure at which the goodwill stood at the company's incorporation and is what is shown in the books and in the balance sheet and is also so expressly stated in the Managing Direc-

tor's address of December 1916 to which frequent allusion has already been made.

It does not appear how Mr. Clayton got his figure of Rs. 82,300 which he gives but as above demonstrated it is quite inaccurate. Moreover, as Mr. Clayton must have been aware both from the address of the Managing Director and from the Directors' report attached to the balance sheet for the year 1916, the figure, from 1st November 1916 actually stood at Rs. 65,000 and the figure Rs. 70,000 in the 1916 balance sheet was the carry forward of the previous year. Mr. Clayton has overlooked the fact or omitted to state that in addition to the capital Rs. 73,741-4-6, Mr. L. Dawson contracted to hand over to the company a reserve of Rs. 10,000. What Mr. L. Dawson actually and voluntarily handed over to the company at the time of incorporation in October 1914 was a reserve of Rs. 20,000; so that in return for his capital Rs. 73,741-4-6 plus reserve Rs. 20,000 total Rs. 93,741 he received neither cash nor preference shares but ordinary shares of the face value of Rs. 1,50,000. The payment in ordinary shares for such value as was received was equitable and moderate. It may be added that in December 1915, the first year after incorporation, the company though earning the handsome profit of Rs. 36,000 paid the somewhat exiguous rate of 5% dividend on its ordinary shares while it paid 8% on its preference shares and further that Mr. L. Dawson donated to the reserves of the company the entire sum he received in dividends amounting roughly to Rs. 7,500. (See account of meeting on 29th December, 1915, Appendix IV).

Mr. Clayton may not have had before him the account of meeting referred to above but it is now attached for reference. Whether or not Mr. L. Dawson obtained a "good price" for the sale of his business the company acquiesces in Mr. Clayton's remark (vide middle para 8) *that it was worth the while of the company to buy it at that price* and the term "incubus" applied by Mr. Clayton (see near the end of para 2) to the goodwill which is always an asset in the sale of any going concern is, on this admission of Mr. Clayton, singularly inappropriate.

6. The basis of the remuneration of the Managing Director and Manager is more or less correctly stated by Mr. Clayton (vide para 7). It is a commission dependent entirely on the profits and is ascertained by the auditors in accordance with the terms of the service agreements and works out approximately to  $12\frac{1}{2}\%$  of the net profits (Income-tax is not for these purposes considered a charge on the profits). The actual amount of the remuneration as may be seen from the

balance sheet of 1916 was a little over Rs. 500 per mensem which is surely not excessive. It will be observed that the remuneration of both Managing Director and Manager is at the same rate and that the only difference is, that in the case of the Managing Director, as Mr. Clayton has pointed out, while subject to the same maximum, there is no guaranteed minimum. Not only the Managing Director but the Manager is entitled to draw his commission while on leave.

The "statutory" (sic) remuneration (vide report of committee year ended 30-6-14) of the Manager of the Upper Burma Central Co-operative Bank, Mandalay, is 25% of the net profits. This rate is, in the case of this company divided between two men, who are jointly responsible for the management.

The Managing Director is entitled to exceptional leave but his position in this respect is due to the fact that the company has not the right to his whole time services and in the event of his retiring from practice at the bar this provision in the service agreement ensures that during the essential, important and busy months of the year viz. from November to May, he will be on duty at Pyapon; for, he is not ordinarily entitled to leave except during the rains. The Managing Director is responsible for the efficiency of the management during the absence on leave of the Manager whether the latter avails himself of his leave during the rains or in the dry weather. The Managing Director is not entitled to fees or to any remuneration other than that specified. The arrangements are just and are well adapted to the circumstances and the company does not consider that Mr. L. Dawson occupies any special position in regard to remuneration or that his services are expensive.

#### 7. PREFERENCE SHARES.

Mr. Clayton remarks (vide para 2). "The high rate of dividend 8% payable on the shares has thus made it impossible to provide fluid resource in the normal manner of ordinary banks."

As has been shown it was not impossible; but it is not necessary to labour this point. In para 8 Mr. Clayton returns to the preference rate dividend and speaks of it as a source of weakness and a word of explanation is therefore demanded.

The preference shares of the company were not thrown open to the "general public." Certain depositors were invited before incorporation to take shares. They were getting 8% on their deposits. It was therefore obviously not possible to offer them less.



The demand for these shares was great and has continued. It has not been the policy of the company to issue them indiscriminately but rather to hold them in reserve as a reward to depositors who had deserved well of the company. The demand for the ordinary shares though not so general has been more insistent but none of these has been issued since the 1st allotment.

The amount of the working capital of the company is Rs. 9,85,924 and the present share issue is Rs. 3,16,700 so if we accept Mr. Clayton's proportion of 10% the share issue is more than sufficient for present purposes.

Mr. Clayton makes the following statement (vide para 1).

"In the last balance sheet for the year ended 31st October 1916, 1447 preference shares *only* out of 2,000 had been issued and no ordinary shares except the 1,500 issued to the vendor." He adds: "I understand, however from Mr. A. T. Dawson and Mr. Adam that frequent applications have been received for the balance of the preference shares and that no allotment has been made because of the drain which the high rate of dividend makes upon the profits of the Company."

Understanding this Mr. Clayton appears to have forgotten to revise an earlier sentence in the same para not quoted herein, in which ~~he~~ implies that the company, in spite of efforts, has been unsuccessful in disposing of its shares. If the company can get its working capital from the general public, in the form of deposits more cheaply than by the issue of shares, it does not seem unreasonable that it should be reluctant to issue its shares and the drain alluded to, has not been so heavy as to prevent the company from paying regular dividends, writing off solid instalments towards goodwill, allowing for depreciation, providing fluid resource and accumulating a reserve which in December 1917 had reached Rs. 60,000. In addition, the company has been able to find funds (not in excess of Rs. 1,000 annually) for agricultural experiments on a small scale and has from time to time rewarded its staff with suitable bonuses.

This is a passable record and it has not been accomplished when the agricultural industry of Burma was flourishing but when it was passing through a period of storm and stress and therefore augurs well for the future.

8. Mr. Clayton says: "The company is a purely one-man show.....It shows no sign of developing into a real district mortgage bank. No local leading men are on its directorate and it is admitted that no Burmans from the district have taken shares. The result is that in Pyapon it is a foreign institution as foreign as the firms of chetties operat-

ing there. As such it must necessarily, in my opinion, fail to rise to the fulness of its opportunity."

In Appendix V is a list taken from the register of members showing the holdings of people who are members and excluding Mr. L. Dawson. It has not been thought necessary to give names. The value of shares at present held by the "general public" as shown in this list is Rs. 1,91,900 and they are divided among 19 people. The company therefore cannot acquiesce in Mr. Clayton's description that it is a purely one-man show.

Mr. Clayton does not appear to be familiar with the history and development of private companies.

The greatest authority on companies Sir F. B. Palmer has said (see page 362 to 370 Palmer's Company Law 9th edition) "Not only does the legislature recognize the private company: it may be said to bestow its benediction upon it. It grants it special privileges and immunities. In particular, it gives no countenance to the absurd prejudice which has at times prevailed against the so-called "one man" companies &c..... Many of the most successful trading concerns of the day have been, and are being daily, converted into private companies; fully one-third of the whole number of companies registered are private companies. The following are a few examples:—

Crosse & Blackwell, Limited (preserve makers).

De la Rue & Coy. Limited (printers).

W. & A. Gilbey & Coy. Ltd. (wine merchants).

Henry Blacklock & Co. Ltd., (publishers of Bradshaw).

Huntley & Palmer Ltd., (biscuit makers).

J. J. Colman & Sons Ltd., (mustard).

Marshall and Snelgrove (drapers).

Merryweather & Sons Ltd., (fire engineers).

Mudie's Select Library Ltd., (circulating library).

Peter Robinson & Co. Ltd., (drapers etc.)

The Morning Post Ltd., (newspaper)."

"In the case of the private company the shareholders manage the business and trade with their own money. If profits are made they pocket them; if losses occur they must be met out of assets which they have personally supplied. In the case, therefore, of private companies, there is the best possible guarantee that the directors will not be negligent of their duties or careless of the interests of the concern, and as a consequence their solvency, as Vaughan Williams, L. J., once observed, compares very favourably with that of other companies."

"The articles commonly vest the management in a small number of directors, or in a 'governing' or 'permanent' or 'life' 'director' . . . . . A permanent director is generally given very wide powers in regard to the management of the business of the company. Usually the powers are limited to the time during which he holds a certain large proportion of the capital one half or one third etc."

Mr. Clayton's objection to the special position that Mr. L. Dawson occupies as to powers cannot be sustained; his position as has been shown above is quite normal and is an ordinary feature of all concerns incorporated under similar conditions.

While it is not policy of the company for reasons already given to admit to membership anybody within the circle of its depositors who is willing to subscribe to its share capital, the circle of shareholders nevertheless grows wider and wider each year and a number of depositors are on the waiting list who at the beginning of the next financial year November 1918, will be admitted. Among these are five local leading men of standing and position in the town of Pyapon, all of whom are (and four of whom for a long time have been) depositors of the company. Two of the company's employees (excluding its directors) are holders of shares and at least three will become shareholders after the 31st October 1918. All of the latter three, are leading men in their respective towns and out of the eight new members all, but three, are Burmans.

It is true that before incorporation, the promoter of the company relied on the enthusiasm of a circle of friends and the statement of the Managing Director that the shares were held by people resident in Scotland and by Scotsmen resident in Burma was fairly correct and was applicable at the time of his writing. But these statements seem to have been taken by Mr. Clayton as tantamount to an admission that Burmans in the district had been canvassed for shares and had refused to take them. If so, Mr. Clayton's inferences are at fault and his statement of an admission leaves something to be desired. The promoter rightly or wrongly did not make any appeal to Burmans. He made his appeal to his earliest depositors. It was natural and prudent to do so and the result was immediately successful.

Mr. Clayton, to judge from the general tone of his remarks (see near the close of para 8 of his note) seems to assume that the company draws its deposits from non Burmans. The assumption if assumption it is, is incorrect. The money the company receives in deposits from Burmans is fairly considerable and is increasing from year to year and shows signs of



becoming in time one of the main sources of supply and the question of the admission of Burmans to the directorate of the company is one that is arising and will assuredly come up for early consideration and when it does, the company does not anticipate that it will fail to rise to the fulness of its opportunity.

One of the main sources of supply prior to January 1917 was Scotland. This source has been completely cut off by the Home Government's regulations controlling capital for foreign industries. Nevertheless, the increase in this company's deposits in the last 11 months was Rs. 1,64,624. The increase in the whole year 1916—17 over the previous year was Rs. 1,10,720.

Mr. Clayton states: "If there is one thing more certain than another in my opinion, it is that, if agriculture in Burma is to be properly financed on modern lines, the financing must be done for the most part with burman money. There is no other source from which an adequate supply of funds can be obtained." The company considers that Mr. Clayton overestimates the amount of Burmese capital that is available for financing industry. While it had been customary to underestimate Burmese capital the opposite error of overestimating it is being made and of the two errors the more dangerous is the latter; for, Burma wants all the capital it can obtain and from every source to develop its numerous economic potentialities. It is no objection to the capital that it is "foreign" so long as it is not alien, though to call it "foreign" as Mr. Clayton does (see end para 8) is to take us back to 1603 and is out of date.

9. Mr. Clayton remarks that the working capital of the company is small and says that it has hardly touched the fringe of the problem of agricultural finance even in the district of Pyapon. He however pays the Company the tribute of having obtained a considerable measure of success (see para 8 beginning) and also (see end para 4) considers that its position is "undoubtedly satisfactory" and also states (see para 5) that considerable expansion has taken place in its operations since incorporation.

The number of clients which the company has on its books as at 30th September 1918 is 351. Mr. Clayton's figure of 53 includes only those whose agricultural holdings had been mortgaged and leaves out of account the large body of traders, agriculturists etc. who had hypothecated gold, buildings, machinery and other assets. The figure now given is inclusive. The business which the company carries on began at the close of the year 1904 when its working capital was almost negli-

ble and the following triennium figures show the rate of expansion in its loans.

1907 Rs. 31,366.

1910 Rs. 1,98,454.

1913 Rs. 3,46,973 pre incorporation year.

1916 Rs. 5,50,853.

*Its loans at the 30th September 1918 were Rs. 9,58,403.* The expansion has certainly been progressive and the company is young. Whether it has touched the fringe of agricultural finance may be a moot point but its achievement has been due entirely to the support it has obtained from the public and whether it will be able to extend its usefulness so as to touch not merely the fringe but reach the fabric of agricultural finance and contribute substantially towards the solution of the problem of agricultural indebtedness must depend upon the support that may in the future be accorded to it.

10. The company does not claim that its methods of doing business are novel and revolutionary but it claims that it has a scheme which is practicable and which will result in the prompt establishment of District Banks in the delta and it guarantees that, if government participates, it will raise the local capital and itself supply a proportion of the capital and thus make itself responsible for the success of the scheme. The scheme involves risk but the risk of the enterprise falls upon the company and founders' shares are designed to meet just such a situation and is a perfectly legitimate subscription. Mr. Clayton has apparently not acquainted himself with the "raison d'être" of founders' shares; for, he has confused them in his mind with goodwill and he asks what the company has to sell to the new bank.

The principle of founders' shares is that those who initiate the scheme and make themselves liable for the expenses incidental to the company's flotation and accept the risks should be entitled after the other shareholders have received a certain share, to the remainder of the profits. The other shareholders know for certain that the founders will use their utmost endeavours to make the business of the company a financial success; for, if the business is not successful the founders will be the greater losers.

But the issue of founders' shares is not made a condition and is not a necessary part of the scheme. Neither is it an essential part of the scheme that government should be excluded from representation on the board of the new bank. The company, however, agrees with Mr. Dawson in thinking that if government holds all the preference shares the need for government control on the board is reduced to a minimum

and that if government nevertheless desires to have a representative on the board his functions should be merely advisory.

Mr. Clayton conjectures that he has possibly overestimated the difficulty of finding capital for the new bank. His reservation seems just and well founded.

The experience of this company justifies confidence as to the finding of capital; for, if government held 5% preference shares without the right to participate in surplus profits as against 8% participatory shares held by members of this company, the ordinary shares of the new bank should be better holding than those of this company. And conversely, if Mr. Clayton thinks so poorly of the prospects of the ordinary shares of the new bank as to imagine that the adhesion of government to the scheme would adversely affect them (presumably by government absorbing all the preference shares) he cannot but think well of the moderate claims of Mr. Dawson who holds practically no preference shares in this company. The company notes with satisfaction that Mr. Clayton regards the establishment of Joint Stock Agricultural Mortgage Banks in the districts as most advantageous, that he accepts Mr. L. Dawson's nine requisites, that he agrees that at the outset there should be a European element in the management and that whether it be a Joint Stock Bank or a Co-operative Central Bank which makes the most effective appeal to local feeling is a matter of comparative unimportance and that the great thing is that in one way or another the people should be taught to believe in their district bank and to bring their money to it for investment.

This company is essentially a mortgage bank and such assistance as it can give to traders is limited to the security that they can offer. Its field is wide and ample and it must leave to Co-operative Credit Societies the business of Co-operative Credit but the business of a County Bank at home is within its scope and it is willing to provide such facilities for trade as the County Bank at home affords and provided that it has security (though not necessarily in the form of mortgage) it is willing to extend its operations so as to finance all classes in its districts.

The company numbers among its *purely* local depositors members of the following professions and businesses: Clergymen, Schoolmasters, Lawyers, Physicians, Government Officials, Contractors, Traders and Agriculturists and it is in the sense of Mr. Clayton's remarks above quoted that it seeks to fulfill and is fulfilling its mission in the districts of Pyapon and Maubin.



11. Mr. Clayton attributes the prosperity which the company has so far enjoyed to the local knowledge of its management and apprehends that as it extends its operations its risks of making mistakes will increase. There is an element of truth in this for no one can deny the value of a knowledge of the locality and of possible customers. This however may be said that in the early days of the business before its incorporation and when the knowledge of its customers possessed by the management was considerably greater than it is now mistakes and losses were more frequent than of late. The explanation of this is simple. The management has acquired experience, it has learnt its lesson, it has gained a sort of instinct for knowing what risk may be taken and what should be avoided.

The necessary knowledge of a district and of possible customers can be acquired in a reasonably short time but not a knowledge of the rather special business of financing agriculture in the delta of Burma. However brilliant, however capable and industrious a man might be who was set down to manage a newly established agricultural bank in the Delta he would be bound to make mistakes and mistakes which might be costly unless he came to the post with experience gathered in a similar field. For the present at any rate this bank is the only place in which he could have gained such an experience and in putting its services at the disposal of Government should Government intend to establish District Banks in the delta, it is surely offering something of value for which it is justified in asking something in return.

12. Criticism has been directed by Mr. Clayton against features of this Company which are common to all private companies. According to the eminent authority above quoted it is to these very features that much of the success of private companies as compared with public companies is due.

It was not however intended by Mr. Dawson, nor does anything appearing in his paper warrant the inference, that District Banks formed in the delta with the help of Government capital should necessarily be private companies or to impose on them the form and constitution that happens to have suited this particular company. It would probably be better that they should be public companies but the fact that a private company held a large proportion of the shares and felt itself morally responsible to a number of people who had taken shares at its instance would go far to ensure a more careful and conservative direction of affairs than can usually be obtained in public companies where the directors may hold only a small qualifying share interest and are tempted to leave things largely in the hands of the Manager.

The scheme outlined by Mr. Dawson may or may not commend itself to Government but it is submitted that the fitness of this Company to be associated with Government in the establishment of District Banks in the Delta has not been fairly dealt with.

It must also be remembered that the proposals contained in Mr. Dawson's paper were tentative and put forward to serve as a basis of discussion; they were certainly not intended as unalterable conditions on which alone this company consented to collaborate with Government but it is in this latter sense they appear to have been taken by Mr. Clayton.

Government has apparently had the establishment of such banks under serious consideration or it would not have directed one of its officers to report on the proposals. If it desires to establish such Banks at an early date association with this Company certainly gives it the opportunity of accomplishing this and the experience already gained by the Company in this particular field, not to speak of the duty of looking after its own investment, would ensure so far as possible the success of the enterprise.

DAWSON'S AGRICULTURAL LOAN COY. LTD.,

*Pyapon.*

Sd. ALBERT ADAM,

*Secretary.*

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## IV. APPENDICES.

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# APPENDIX I.

## CASH IN HAND AND WITH BANKS.

From 31st October 1916 to 30th <sup>April</sup> September, 1918.

		Rs.	A.	P.	Rs.	A.	P.
31st October, 1916.							
Cash in hand,	..	28,895	6	6			
Cash in Banks,	..	16,514	6	10			
					45,409	13	4
30th November, 1916.							
Cash in hand,	..	38,229	12	1			
Cash in Banks,	..	13,581	2	4			
					51,810	14	5
31st December, 1916.							
Cash in hand,	..	41,702	1	2			
Cash in Banks,	..	4,387	0	0			
					46,089	1	2
31st January, 1917.							
Cash in hand,	..	23,631	15	0			
Cash in Banks,	..	7,797	15	3			
					31,429	14	3
28th February, 1917.							
Cash in hand,	..	28,683	5	10			
Cash in Banks,	..	23,353	10	9			
					52,037	0	7
31st March, 1917.							
Cash in hand,	..	44,440	7	11			
Cash in Banks,	..	5,498	8	8			
					49,939	0	7
30th April, 1917.							
Cash in hand,	..	30,198	7	2			
Cash in Banks,	..	5,281	1	8			
					35,479	8	10
31st May, 1917.							
Cash in hand,	..	13,644	9	9			
Cash in Banks,	..	2,829	14	7			
					16,474	8	4
30th June, 1917.							
Cash in hand,	..	23,583	9	2			
Cash in Banks,	..	5,317	5	4			
					28,900	14	6
31st July, 1917.							
Cash in hand,	..	28,313	0	0			
Cash in Banks,	..	4,692	12	10			
					33,005	12	10
31st August, 1917.							
Cash in hand,	..	8,858	5	7			
Cash in Banks,	..	6,337	3	10			
					15,195	9	5



*30th September, 1917.*

Cash in hand,	..	33,373	13	2			
Cash in Banks,	..	6,841	3	6			
						40,215	0 8

*31st October, 1917.*

Cash in hand,	..	25,478	14	4			
Cash in Banks,	..	16,899	4	1			
						42,378	2 5

*30th November, 1917.*

Cash in hand,	..	20,431	10	2			
Cash in Banks,	..	17,499	14	10			
						37,931	9 0

*31st December, 1917.*

Cash in hand,	..	33,704	5	2			
Cash in Banks,	..	11,993	3	2			
						45,697	8 4

*31st January, 1918.*

Cash in hand,	..	34,290	14	4			
Cash in Banks,	..	15,518	4	1			
						49,809	2 5

*28th February, 1918.*

Cash in hand,	..	38,067	6	2			
Cash in Banks,	..	24,581	7	6			
						62,648	13 8

*31st March, 1918.*

Cash in hand,	..	45,243	12	8			
Cash in Banks,	..	25,986	6	0			
						71,230	2 8

*30th April, 1918.*

Cash in hand,	..	69,070	0	1			
Cash in Banks,	..	12,057	1	5			
						81,127	1 6

*During Mr. Clayton's Visit on 26th and 27th September, 1917.*

Cash in hand,	..	21,048	13	2			
Cash in Banks,	..	6,841	3	6			
						27,890	0 8

Certified that for the purpose of the Bankers' Books Evidence Act that the above are true copies of the bank's books and that the entries therein were made in the due course of business.

DAWSON'S AGRICULTURAL LOAN COY. LTD.,

Pyapon.

Sd. ALBERT ADAM,

Manager.

## APPENDIX II.

## FLUID RESOURCE.

"A person who is looking for a safe banker should see that the firm or company that he selects possesses at least from £12 to £18 in coin, bank notes and cash against each £100 it owes to the public.....But a really strong, well managed bank should hold from £45 to £50 in cash, money at call and investments to every £100 of its public indebtedness."

"Banks and their Customers" page 14 by Henry Warren.

(1)

## DAWSON'S AGRICULTURAL LOAN COY. LTD.,

*Fluid Resource October, 1916.*

	Dr.	Cr.
Cash in hand and in banks, ..		45,409
Loans on gold, ..		1,20,200
Deposit Accounts, ..	3,44,000	
Current Accounts, ..	11,141	
	<hr/>	<hr/>
=46½% ..	3,55,141	1,65,609

(2)

## DAWSON'S AGRICULTURAL LOAN COY. LTD.,

*Fluid Resource September 30th 1918.*

	Dr.	Cr.
Deposit Accounts, ..	5,79,767	
Current Accounts, ..	9,202	
Suspense Account, ..	4,435	
Bank of Bengal, ..	36,922	
Alliance Bank of Simla, ..	25,072	
Arracan Coy., ..	956	
Saving Bank a/c ..	5,236	
Cash in hand and in banks, ..		46,586
Loans on gold, ..		1,09,000
War Loan fully paid a/c ..		2,16,875
Arracan Coy., Tolls a/c ..		106
	<hr/>	<hr/>
=56% ..	6,61,590	3,72,567

(3)

*Fluid Resource. Upper Burma Central Co-operative Bank.  
30th June, 1917 Balance Sheet.*

	Dr.	Cr.
3½% Government Paper,..	..	94,230
4% Conversion Loan, ..	..	3,32,000
Sterling War Loan, ..	..	1,49,546
* Payment not yet allocated, ..	..	2,187
* Current a/c Bank of Bengal, ..	..	7,172
Cash balance, ..	..	1,99,318
† Fixed Deposit Chartered Bank, ..	..	1,75,000
Fixed Deposits, ..	36,28,615	
Savings Bank, ..	2,28,232	
Amount not yet allocated, ..	12,013	
Provident Fund, ..	3,692	
Pegu Bank "B" a/c ..	40	
Bank of Bengal advance a/c ..	4,44,315	
National Bank, ..	4,430	
		<hr/>
=22% ..	43,16,337	9,59,453

\* Treated as cash.

† As this is a fixed deposit it is doubtful if it should be included but as the bank would probably be allowed to withdraw subject to forfeiture of interest this sum has been included.

N. B.—The 1918 Balance Sheet is not before the Coy.

SUMMARY.

	Public Indebtedness.	Fluid Resource.
D. A. L. Coy., Ltd., October, 1916 ..	Rs. 100	46½%
D. A. L. Coy., Ltd., September, 1918 ..	" 100	56 "
U. B. C. C. Bank, Mandalay, June 1917 ..	" 100	22 "



## APPENDIX III.

The Company did not offer to buy war bonds. It offered to advance money against them and the war bonds that have come into the Company's possession have been either surrendered to them by the holders who were unwilling to maintain the loan or have been bought by the Company as the result of an offer to sell made by the holder.

In the year 1917 the average price at which War Loan Bonds were acquired as described above was Rs. 84-8. The Deputy Commissioner of Pyapon was so informed on the 2nd October 1917.

In the year 1918, on the opening of the 2nd Indian War Loan, the company proposed to advance 90% against War Bonds at its minimum rate of 1%. It was found that people who accepted this offer surrendered their war bonds and the Company on the 27th July 1918 reduced its rate of interest to 12 annas per cent. per mensem in order that investors might be induced to maintain their investments but the surrenders have not been arrested and clearly the Company cannot charge less than it is paying its depositors so no further reduction in the rate of interest is contemplated. The bulk of the company's acquisitions has been made @ Rs. 90. The people who have surrendered their war bonds at this price includes, traders, agriculturists, chetties and government officials.

The Company has allowed all depositors who wished to invest in war bonds to break their deposits without any forfeiture of interest and has been instrumental in obtaining for government exclusive of its own contributions, subscriptions to the value of about Rs.2,00,000.

The bankers' commission which it receives from the government is donated to the recruiting fund of the district.

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## APPENDIX IV.

## DAWSON'S AGRICULTURAL LOAN COY., LTD.

## FIRST ANNUAL ORDINARY GENERAL MEETING.

*Pyapon 29th December, 1915.*

The 1st Annual Ordinary General Meeting of this Company was held at Pyapon on the 29th December, 1915, at 11 o'clock for the purpose of:

Declaring a dividend, electing directors and auditors and conducting the ordinary business of the Company.

The chair was occupied by Mr. Lawrence Dawson and the other director, Mr. A. T. Dawson, was present.

There was a good and representative attendance of shareholders.

The Secretary read the notice convening the meeting, the statement of accounts and the Auditor's Report.

Mr. A. T. Dawson, director, read the Director's Report.

## THE CHAIRMAN'S SPEECH.

## WAR AND AGRICULTURAL LAND VALUE—AN INTERESTING REVIEW.

The Chairman said:

Ladies and Gentlemen,

It is possible now to review one full year of the Company's work. With the 1st of November, 1914, the first financial year of the Company began and our accounts have been audited up to the 31st October, 1915.

In the report that was circulated among the shareholders and which is now before you, you will have observed that the Company has made a profit of Rs. 36,630-13-3, or after setting aside Rs. 10,495-9-6 for Doubtful Debt Reserve, the sum of Rs. 26,135-3-9. This constitutes a record in the history of this business, which was established in 1905. The figure represents an increase of Rs. 7,821-0-0 over the profits of the year ending October 1914, which was the last year in which the business was conducted on a proprietary basis and the figures for that year were in their turn a record. Therefore, when your directors report that the position, progress and prospects of the business continue to be in every way satisfactory, you will understand that there are substantial grounds for that statement.

The comparison with the year 1914 is impressive when it is realized that this Company was floated three months after the outbreak of the war and that we are reviewing one year's working when the country was at war, against a year, during

nine months of which, the country was at peace. It speaks well for your confidence that at such a time you invested your money in this Company's enterprise—a confidence which appears to have been well justified by events.

One of the inevitable results of war is the disorganization of credit and as a consequence the depreciation in value of almost every kind of security. It is curious (if we may with due humility compare little things with great) how slightly we in Pyapon felt the shock which rocked to their very foundations the soundest and oldest banking institutions of the mother country. Government, however, gave timely aid and came to the rescue first, with an extension of the bank holiday—a simple expedient but very effective as it gave people time to grow calm—and next with the moratorium of which you have heard so much. Thus came about the rehabilitation of credit and in this way was the position of the banks at home secured in the greatest financial crisis of all times. Nevertheless, the values of the best securities came tumbling down and securities that had scarcely been known to fluctuate showed so conspicuous a tendency to depreciate that the term "gilt edged" has now perhaps acquired a new significance.

We, in Burma, relying on the value to the world of our agricultural produce, have so far—after 15 months of war—suffered nothing which is in any way commensurable with what I have just described. In the early stages of the war there was certainly a temporary fall in the market value of paddy but this was apparently due to the difficulty experienced in getting tonnage for our export and seemingly not to any lessening of the demand for Burma rice. The subsequent course of the market was most reassuring and prices ruled as high as in any good year. The rise in prices though late in the season made its influence felt all over the delta. Chetty firms who had but diffidently financed the crop at the out-break of the war altered their policy and lent with greater freedom on land and crops and rates of interest on agricultural loans assumed their normal pre-war values. The decrease in the export of rice to Europe was compensated for by the demand from other countries and markets sprang up in America and elsewhere which are destined gradually to replace the markets of Germany and Austria necessarily lost to us by the war.

It would have been surprising, under the circumstances which have been related and which refer to the marketing of the produce, if there had been in the past year any appreciable fluctuation in the value of agricultural land itself. The rise in the value of agricultural land in Lower Burma, where capital is not plentiful, has necessarily lagged far behind the rise of the value of its produce. It required many seasons of high



crop prices to influence a corresponding rise on the market value of land and conversely it would require a succession of low crop prices (though not perhaps so long a succession) to produce the opposite effect. Land values are therefore, in the nature of things, more stable and permanent than crop values. And it is good that it should be so. Now, it cannot be said that the value of agricultural land has been affected by the war. Whether it will be affected in the future we cannot say but the history of land values in the delta is most encouraging. That history shows that the rise in values that has taken place in the last ten years has been gradual and steady and I think that there are good grounds for the belief, strongly held by knowledgeable people, that the value of agricultural land in the delta has not by any means reached its proper value and that prices are likely to rise to a level much higher than that which prevails. It remains to be seen whether the war and future events will exercise any retrograde influence on land values. He would be a bold man who would be disposed to prophesy. We have from the experience of the past year, however, much ground upon which to base a hope that it will not exercise such an influence.

### *DOUBTFUL DEBT RESERVE.*

Turning now to the figure shown in the balance sheet, you will observe that we have increased our provision for Bad and Doubtful Debts until this reserve now stands at 30,000, a sum which is probably much in excess of needs. Five per cent of all the debts or loans made, is, in most commercial undertakings, generally the basis for a provision for doubtful debts. Our estimate for the past years, corrected by results, is much lower; in fact about one half or  $21\frac{1}{2}\%$ . The sum of Rs. 30,000 represents over 7%. No one can therefore quarrel with that provision on the ground that it is not ample. I may remind you that when I agreed to sell the business to the Company this reserve was at Rs. 5,000—the figure at which it stood in 1913. It has taken only three years to build up this reserve to its present large and satisfactory proportions.

### *LOANS.*

The figures for loans are; October 1914, Rs. 4,19,909-15-0 and October 1915 Rs. 4,22,119-6-11 which shows an increase of only Rs. 2,000 odd but this item of the assets should be taken in conjunction with the cash balances which were in October 1914, Rs. 8,500-10-7 as against Rs. 67,996-6-1 in October 1915. It has been the custom in all banking establishments since the outbreak of war to keep heavy cash balances

and we have not been in this respect any exception to the rule. The balance has however been found to be much larger than is necessary or advisable and since October it has been reduced.

### DEPOSITS.

The figure for deposits cannot very well be compared in the balance sheet owing to the transference of deposit accounts to share accounts but an analysis of the accounts reveals that whereas in October 1914, the deposits were Rs. 3,21,134-8-8 they stood at Rs. 3,69,746-7-0 in October 1915. The latter figure includes Rs. 1,35,900 worth of deposits converted into shares. The increase was therefore Rs. 48,611-14-4 in one year, which is certainly most satisfactory.

### GOLD SECURITIES.

In October, 1914, the amount of our investment in gold securities was Rs. 2,057. You will remember in my circular of December, 1914, I proposed that it should be our aim always to invest the amount of the reserve in these securities. The amount of the reserve in December, 1914, was Rs. 20,000. We have done better than that and the amount invested in gold securities (not "gilt edge" and liable to depreciation but solid gold and yielding a return of about 14% per annum) was in October, 1915, not less than Rs. 47,618. We have increased these investments since to Rs. 60,000. You will understand that these represent in the best sense of the term, liquid assets and these loans are to be classified as at call or short notice. (Applause).

It is the policy of your directors to distribute the investments of the Company as much as possible among securities of a diversified nature which is nothing but a variation of the adage which requires of a prudent person that he shall not put all his eggs in one basket. I may tell you that one of the generally raised objections to agricultural banking is that this type of enterprise is committed to one form of investment. It may be a valid enough objection in enterprises and countries where the circumstances do not enable one to vary one's investments but I am convinced that it is not a valid objection in Burma. *Your directors think that they can raise their investments in gold securities until they reach one third of the whole* and that they can find investments in town lands and buildings and in the mortgage of dhani land and crops which will bear a fair proportion to the investments that are dependent on the rice industry. The leaves of the dhani palm are in great demand for the roofing and walling of all agricultural

buildings and of 4|5ths of all the houses to be found in any Burmese village or town in the Irrawaddy delta. The cultivation of the dhani palm is a prosperous and growing industry. The conditions of its successful culture are entirely different from those which govern the production of rice and it is therefore a legitimate variation of agricultural investment and will accordingly receive due attention.

The establishment of two agencies has been brought to your notice, one at Ma-ubin and the other at Dedaye. The agents have been carefully selected and are men of character and influence. It was due in great measure to their co-operation that the Company was able to make such substantial increase in its gold investments. The agency at Ma-ubin being under one of the Company's directors is authorised to receive deposits. The question of opening new agencies is one which is engaging your directors' attentions.

#### *PADDY SUPPLY DEPARTMENT.*

The profits of the paddy supply department of the Company's activities are represented by the exiguous sum of Rs. 587-13-0. The figures for 1914 are Rs. 2,386-13-4. The Arracan Company for whom the Company is working bought very little paddy through its agents during the season under review which accounts for the very small profits shown. Your directors consider that they will be justified, in view of the very small business received from the Arracan Company in making terms with other millers in Rangoon who should be willing to employ the Company's services. An effort will be made this season to increase this part of the Company's business but the difficulty of arranging terms that will be satisfactory to both sides is one not to be minimised. The millers naturally desire that the Company should guarantee the weight of all paddy purchased but in the last resort the weights are checked at the mill so that any supplier who accepts this condition delivers himself into the hands of the weighing clerk at the mill who is not, as a rule, a reputable person and may be expected to "bleed" agent's paddy for the benefit of broker's paddy if it suits his purpose to do so. I have learned from Mr. English, the Registrar of Co-operative Credit Societies, that the Societies have exactly the same difficulty to contend with.

#### *LAUNCH WORKING.*

The charge under this head "Launch Working" came to Rs. 1,650. This figure is slightly in excess of the figures for 1914, which were Rs. 1,564-13-0 but the figures for 1912 and



1913 were Rs. 2,273-5-5 and Rs. 2,141-12-0 respectively. The launch was nearly 5 years old and was valued in our books in April 1915 at Rs. 3,000. Depreciation for the six months ending 31st October, 1915, does not appear in the present balance sheet not because no depreciation had in fact occurred but because the launch has been sold at the figure at which it appeared in April's balance sheet. It was thought advisable to accept a reasonable offer when we got the chance as difficulties are often experienced in getting correct values when an article is put on the market. The cost of working the launch was in any case unduly high for the services rendered and unless the Company can see its way to run a launch at considerably reduced cost the retention of a launch for the Company's work must be deemed a luxury.

### *SALARIES AND WAGES.*

These have risen from Rs. 1,449-12-4 in 1914 to Rs. 1,967-8-0. The staff has been increased and a gradual rise under this heading is natural and to be expected in a business which is increasing from year to year. Proposals have been made and are under consideration to put the salary of two of the clerical members of the staff on a basis which will maintain some relation to the profits.

### *GOOD WORK OF STAFF.*

It gives me great pleasure to tell you of the good work of the staff in the year under review. It had to cope, not merely with the increasing business of the Company, but with all the labour that conversion of a proprietary business into a limited liability company entailed. Moreover, the auditors who had had no previous experience of agricultural tenures or land values required to be satisfied in each security as to both. It is not easy for you to realize what a vast amount of investigation and hard work this involved and under the guidance of the general Manager all this work was not only done in the year under review but was done well. (Applause).

I think I have now dealt with all the items in the accounts which call for particular comment. I should like to say a word as to what, I conceive, should be the policy of the Company in regard to agriculture generally. The Company's interests and prosperity is bound up with the interests and prosperity of agriculture and of the agriculturist. If the latter flourishes and waxes wealthy so also will the Company flourish and wax wealthy. I am not suggesting that the Company should engage in any philanthropic enterprize simply for the benefit of the cultivator and without any resulting advantage

to itself. I wish, at once, to disavow any such object. This Company is, like all other companies, formed on business lines, committed to the interests of its share-holders, but it is obvious that fresh fields of activity abound which, if the Company chose to cultivate, would be fruitful in results that would redound to the mutual advantage of share-holder and agriculturist. Everyone knows that agriculture in Burma is in a primitive condition and that an agricultural department for Burma has been established only a few years and that it suffers from inadequate equipment from the point of view both of materials and staff and that its activity is therefore necessarily limited. But I should imagine that if any one is genuinely interested in agriculture and has opportunities and resources and applies to this department, it would be ready to help with its advice and guidance. I think, therefore, that the Company should form a fund as a provision for agricultural experiments to be undertaken under the advice and direction of the Agricultural Department and also under its own initiative and in order to start this fund I donated, on the 26th December, 1915, a sum of Rs. 1,000 to the Company. The fund thus started may be increased from year to year as the finance of the Company may permit. Hitherto the cost of such experiments as have been conducted in manures and agricultural implements have been borne from private funds.

### GENERAL RESERVE.

I have also thought fit to start a fund to be called the General Reserve and I now ask the Secretary to read the letter of the 26th December, relating to this transaction.

THE SECRETARY read the letter which was as follows:—

*Pyapon, Dated 26th December, 1915.*

To

THE GENERAL MANAGER,

DAWSON'S AGRICULTURAL LOAN CO., LTD.,

PYAPON.

Dear Sir,

In pursuance of the policy outlined in my circular letter dated 12th December, 1914, and with reference to the question of reserves which have now reached a sum of Rs. 30,000 as provision for doubtful debts, I think the time has arrived when a General Reserve Fund ought to be inaugurated. In order that a beginning might be made in this direction, I do hereby

donate to the Company a sum of Rs. 7,500 (which is approximately the amount I am entitled this year to draw in dividends) of which sum Rs. 1,000 may be devoted to agricultural experiments and the balance to a General Reserve Fund. I take leave to quote from my circular letter of 12th December, 1914, as it appears to me that the policy of the Company is therein suitably and forcibly expressed and as it furnishes an explanation, if any should be sought, as to my motives in making this donation.

### EXTRACT OF CIRCULAR LETTER.

*Dated 12th December, 1914.*

“Originally I contemplated setting aside only 1|8th, of the profits to reserve but I have since decided that it would be better to give the Directors of the Company very wide discretion in this matter. I am strongly convinced that the best policy in a banking business is to build up a strong reserve and it is my aim to accumulate and to accumulate quickly a large reserve which will be far in excess of any provision that may be necessary for bad or doubtful debts. I have impressed upon share-holders that if the bank is to attain great, instead of moderate success, much depends on the carrying out of this policy and it was in order to further it, deeming example to be better than precept, that the sum actually handed over by me to the Company was Rs. 10,000 in excess of what was stipulated. There was a difficulty, however, which was easy to foresee. The annual contribution to reserve to meet my desires might represent so high a proportion of the profits as to cause a certain amount of dissatisfaction among share-holders by disappointing them of anticipated high dividends. To mitigate their position I voluntarily reduced the purchase price from Rs. 1,75,000 fully paid up Ordinary Shares to 1,50,000. The direct result of this is to benefit preference share-holders who are interested in the surplus profits to the extent of 25%. The reduction in the Ordinary Shares will have the effect of enlarging the surplus profits, thereby increasing the preference share dividends and by these means I have, I believe, reconciled all to the initiation of the policy of powerful reserves. The two measures taken *viz*, (1) large additions to reserve; (2) reduction of purchase price, are not to be regarded as acts of self sacrifice. I am confident that the best way to promote the interests of the Company, to win new business, to ensure possibilities of indefinite expansion and to achieve ultimately heavy dividends and substantial success is to secure the unbounded confidence of the general pub-



lic and this can only be done by the attainment of unrivalled strength in reserves.

I am Sir,  
Your most obedient servant,  
Sd. LAWRENCE DAWSON."  
(Applause).

The Chairman resuming, said:

I now beg to move that the report presented to you and read by Mr. A. T. Dawson be received and adopted and that a dividend of 8% per annum be now declared subject to income-tax on the Preference Shares and 5% per annum on Ordinary Shares payable on and after the 29th day of December, 1915.

#### MR. A. T. DAWSON.

I have much pleasure in seconding the motion and in doing so think we have much reason to congratulate ourselves on the successful working of the Company for the past year. The Company was launched three months after war broke out so that very early in its existence your directors were called upon to face the problems presented by the war and the policy laid down by them has been most successful. I allude to the varying of investments and the increase in gold securities from Rs. 2,057 to Rs. 47,618. As you have just heard this sum has been increased to Rs. 60,000. A very handsome figure indeed.

As the Chairman has pointed out the dhani palm plays an important part in the economic life of the delta districts and its cultivation affords good investments. Town lands and houses also deserve attention and in this connection I suggest that the Company acquire a Fire Insurance Agency or Sub-Agency.

On the question of the reserves, the Chairman has not abated his standpoint of December 1914, and we shall start this year with the following great advantages over last year.

	Rs.	A.	P.
D. D. Reserve increased,	10,495	0	0
Goodwill account reduced,	6,258	0	0
General Reserve,	6,500	0	0
Carried forward,	1,204	0	0
	<hr/> 24,457	0	0

This is a sum which is nearly 9% of the paid up capital. Of course we should not have been able to reach this figure without the handsome addition to our funds of Rs. 7,500 which is the Managing Director's donation towards Agricultural Experiments and a General Reserve and we are very grateful to him for it. It represents the dividends that he receives on his shares. Last year at the time of incorporation he did much the same thing and—

*Chairman.* It is not to be taken as a precedent. (Laughter).

*Mr. A. T. Dawson.* The Company is to the Chairman a hobby. He originated it and nursed it and brought it to its present status.

Our thanks are also due to the staff. I can heartily endorse all that the Chairman has said about their work. (Applause).

As no member had any question to raise on the balance sheet, the resolution was put to the meeting and was carried unanimously.

#### RE-ELECTION OF DIRECTOR.

Mr. J. A. F. Young moved that Mr. A. T. Dawson be re-elected director of the Company for the year 1915-16.

Mr. A. Adam seconded the motion, which was carried.

#### THE AUDITORS.

Mr. L. Dawson proposed that Messrs. Stuart, Smith & Allan be appointed auditors for the year 1915-16 at a fee of Rs. 900 for two half yearly audits payable Rs. 450 on completion of each audit.

Mr. A. T. Dawson seconded the motion which was carried.

## APPENDIX V.

*April 30th, 1918.*

Member.	Employee or otherwise.	Ordinary.	Preference.	Total Value.
1. A	Employee	50	15	6,500
2. T	"	9	1	1,000
3. B	Public	10		1,000
4. D	"	90	1	9,100
5. G	"	100	250	35,000
6. Y	"	50	350	40,000
7. D	"	4	1	500
8. T	"		250	25,000
9. W	"		108	10,800
10. J	"		100	10,000
11. Mck.	"		30	3,000
12. M	"		25	2,500
13. Y	"		30	3,000
14. S	"		50	5,000
15. D	"		65	6,500
16. N	"		30	3,000
17. Y	"		50	5,000
18. W	"		100	10,000
19. M	"		150	15,000
				<hr/> 1,91,900 <hr/>

Certified that the above is a true extract of the Company's  
Register of Members.

DAWSON'S AGRICULTURAL LOAN COY. LTD.,

*Pyapon.*

Sd. ALBERT ADAM,

*Secretary.*













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